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FINANCIAL TIMES

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MONDAY APRIL 20 1998

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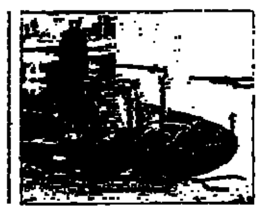

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New technology for ships in the Arctic
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Consultants fuel buoyant demand for MBAs
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EU and Arafat in new move to end Mideast deadlock

Israel welcomes setting-up of joint committee on security

By Judy Dempsey in Jerusalem

Tony Blair, the British prime minister, will today announce the establishment of a joint European Union-Palestinian security committee at a meeting in Gaza with Yassir Arafat, president of the Palestinian Authority.

The committee is an attempt by the EU, whose rotating presidency is held by Britain, to carve out a role in helping to break the deadlock between Israel and the Palestinians.

Talks between the two sides broke down over a year ago when Israel started building a new Jewish settlement at Har Homa in east Jerusalem.

The joint committee to be set up by the EU and PA will involve the exchange of intelligence, training in counter-terrorism and other aspects of law and order. It follows an earlier agreement with the PA in which the EU provided about Ecu8m ($8.72m) to improve counter-terrorism techniques in the West Bank and Gaza.

Today's announcement by Mr Blair will come on the latest leg of his Middle East tour. Yesterday he flew from Saudi Arabia to Jordan and then to Israel to a meeting with Benjamin Netanyahu, Israel's prime minister.

Last night Mr Netanyahu said he was prepared to "go anywhere and at any time" to advance the peace process.

Israeli officials yesterday welcomed the security measures. The EU, repeatedly accused by Israel of being pro-Palestinian, wants to show it is taking Israel's security needs seriously.

King Hussein of Jordan urged the EU yesterday to play a full role in reviving the peace process. He warned Mr Blair and Miguel Angel Moratinos, the EU's Middle East envoy, who visited Jordan earlier in the day, that the peace process had reached a critical stage.

"This is the time I believe it can be saved. Otherwise, we will be entering a very dark and dangerous period," the king said.

Before travelling to Gaza, Mr Blair was last night set to focus on Israel's own role in the peace process. In particular, UK and EU officials said Mr Blair was anxious to raise with Mr Netanyahu the contentious issue of Israeli troop withdrawals from the West Bank, the expansion of Jewish settlements, and the operation of Gaza International Airport and Gaza Industrial Estate. The latter are partly financed by EU donors.

Israel has already blamed the Palestinians for foot dragging on the airport and industrial estate negotiations, accusing the PA of linking any agreements to a second troop withdrawal.

EU diplomats said the new security committee would allow outsiders to monitor how the PA is combating terrorism, even though EU officials will not sit on Israeli-Palestinian security meetings. "At least it will provide another pair of eyes on the PA's activities," an EU diplomat said.

Mr Netanyahu has repeatedly ruled out any Israeli troop withdrawal from the West Bank until the PA has cracked down on terrorism.

The committee may also give the EU a chance to carve out a limited role in helping to resolve the Israeli-Palestinian conflict. For months, it has justified such a role on the grounds that it is the biggest donor to the PA. Between 1993 and 1997, EU aid to the Palestinians amounted to Ecu1.68bn.

The expansion of Jewish settlements, which the EU and the UK have consistently criticised, has already ruffled feathers between Mr Blair and Ehud Olmert, the Likud conservative mayor of Jerusalem.

Mr Blair, who was officially invited to meet Mr Olmert, refused to do so. Mr Olmert is a staunch defender of Israel's current settlement policy.

Israeli PM Benjamin Netanyahu (left) with UK counterpart Tony Blair Reuters

COMPANIES BELIEVE INCENTIVES AND FEES PAID BY UNDERWRITERS MAY BE A CONFLICT OF INTEREST

Insurance brokers criticised over payments

By Christopher Adams, in London

The world's biggest commercial insurance brokers, J&H Marsh & McLennan and Aon Group of the US, are taking tens of millions of dollars in fees and incentives from insurance underwriters.

Documents obtained by the Financial Times show that payments to brokers can total 10 per cent of underwriting profit on a portfolio of business.

The practice is believed to be widespread, not limited to the two US brokers.

Risk managers responsible for buying insurance at some of the world's biggest companies believe the payment of incentives could conflict with their interest in getting the best deal – brokers represent companies in their dealings with underwriters.

J&H Marsh & McLennan, based in New York, said payments made by insurers accounted for about 5 per cent of broking revenue, but Gary Gatewood, head of the global broking division, said there was no conflict of interest.

He said it received volume-based incentives from underwriters in recognition of distribution, spending on technology and claims-handling services provided to the market.

The group said the agreements with insurers, which were drawn up by a different part of the group to that which dealt with clients, applied to books of business and not to specific transactions.

Ron Forrest, senior executive of Aon, which is based in Chicago, said many underwriters were eager to pay financial inducements, but that brokers often refused offers from underwriters because they were not in clients' interests.

Brokers act on behalf of companies buying insurance, representing their interests with underwriters who insure risk. They typically agree with clients a fee for any service they provide or take a commission out of the premium earned by insurers.

Some underwriters say brokers have been pressing them to pay for access to business.

Many insurance buyers have found it difficult to get details of the remuneration.

"We have asked brokers in the past and they would not disclose the information. These are double payments and insurers should not be doing it," said Henry Good at Rohm and Haas, the US-based chemicals manufacturer.

At Lloyd's of London, which is wholly dependent on brokers for business, some underwriters fear the practice is spreading and may push up the cost of doing business and squeeze out small operators.

It will also test the society's regulatory regime, which is moving to reassert credibility following a decade of financial and legal problems.

Aon said the changing nature of remuneration, driven by clients wanting to pay fees for specific services, posed the question of who should pay for the work it carried out for underwriters.

Conflicting questions, Page 7

German coalition faces fresh dissent

By Peter Norman in Bonn

Helmut Kohl's effort to restore German government unity ran into fresh problems yesterday when the Free Democrat Party, the junior partner in the chancellor's quarrelsome three-party coalition, pressed for more radical tax reforms than those agreed by the coalition.

Mr Kohl's Christian Democratic Union and the allied Bavarian Christian Social Union agreed to paper over recent differences and concentrate their attack on Gerhard Schröder, the newly confirmed candidate of the opposition Social Democrat Party.

But at an FDP congress in Berlin to agree parts of the party's platform for the September 27 general election, it broke with government policy for a cut in the top tax rate to 39 per cent, down from 53 per cent. It called instead for a top rate of 35 per cent and a radical simplification of the income tax structure.

At the same time, Günter Rexrodt, the FDP economics minister, attacked the reluctance of the CDU to embrace market-oriented policies. He criticised CDU resistance to longer shop opening hours and its opposition to cuts in the much-disliked solidarity surcharge to finance German unification.

This evidence of new tension in the Bonn coalition came as surveys suggested Mr Schröder has built up a commanding opinion poll lead over Mr Kohl. According to a poll by Forschungsgruppe Wahlen (FGW) for the ZDF television channel and the Süddeutsche Zeitung newspaper, 66 per cent of Germans want Mr Schröder as chancellor against 26 per cent backing Mr Kohl.

The political research group estimated that the SPD would win 43 per cent of the votes if a general election were held now, the party's best opinion poll rating since German unification in 1990. The environmentalist Green party, a likely coalition partner for the SPD, would win 8 per cent. The CDU and CSU would win 35 per cent, their worst result since unification, while the FDP would win 5 per cent to scrape into the Bundestag, the lower house.

In an interview with yesterday's Welt am Sonntag newspaper, Mr Kohl expressed confidence that he would win the September election. But Volker Rühe, the CDU defence minister, said the party's position was serious and it was naive to believe it would regain popularity as it did at this stage of the election campaign four years ago.

In Munich, Theo Waigel, the finance minister and CSU leader, and Edmund Stoiber, the CSU premier of Bavaria, said recent quarrels over CDU proposals for an energy tax were resolved.

Editorial Comment, Page 13

WORLD NEWS

Chinese dissident Wang Dan released from jail and flown into exile in US

Wang Dan, a leader of the 1989 Chinese Tiananmen Square protests, was freed from prison on medical grounds and exiled to the US yesterday, a move seen as courting concessions at a US-China summit in June. But human rights groups accused Beijing of a cynical move ahead of the visit of US president Bill Clinton. Page 4

Oil-for-food talks open
A European Union-sponsored conference opens in London today to consider ways of swiftly implementing the UN oil-for-food programme in Iraq. Page 6

Austria re-elects president
Austria's Thomas Klestil was re-elected president for a second term, according to provisional official results put him well ahead of his nearest rival, Lutheran bishop Gertraud Knoll. Page 2

Berlusconi picked to head party
Former Italian prime minister Silvio Berlusconi was elected president of Forza Italia at the weekend. The media tycoon founded the political party in 1994. Page 2

Colombian activist murdered
Eduardo Umaña, a Colombian lawyer known for defending guerrilla leaders, was killed in Bogota on Saturday by assassins posing as journalists. He was the third Colombian human rights activist to be murdered in two months. Page 2

Challenge issued to Indian PM
The All India Anna Dravida Munnetra Kazhagam, a key coalition ally of Indian prime minister Atal Behari Vajpayee, demanded the removal of three ministers it said were involved in investigations.

Pakistan corruption law signed
Pakistan's president, Rafiq Tarar, signed an anti-corruption law under which businessmen could be jailed for up to seven years if convicted of bribing officials to secure contracts. Page 4

Britons held in Yemen
Yemeni tribesmen kidnapped a British Council official and his family as they travelled from Aden to the capital Sanaa. Kidnapping is common among Yemeni tribes with grudges against the government or foreign oil companies.

Soccer stampede kills 4
Four Zimbabweans died and 10 more were badly hurt in a stampede for seats at an independence day soccer match at the weekend.

Washington backs Cambodia poll
The US joined other western countries in supporting the Cambodian government's plan for a general election on July 26. Washington is now expected to give up to $7m to help private agencies support and monitor the vote. Page 4

Nepal seeks rethink on dam
Enron of the US has still not given up the idea of participating in a Nepali hydroelectric scheme, the company and Nepali officials said. Enron quit the $7bn project on April 9 citing delays in decision-making, but a new Nepal government was formed last week.

Changi tops travellers' list
International travellers voted Singapore's Changi their favourite world airport for the second year running. Page 6; Business travel, Page 9

Ex-Beatle's wife dies
American-born Linda McCartney, wife of ex-Beatle Paul, died in the US on Friday aged 56, the pop singer's spokesman said. Mrs McCartney, who had her own food company, had been having treatment for breast cancer.

BUSINESS NEWS

British Steel plans to pay suppliers in euros in new drive to cut costs

British Steel plans to pay some of its UK, Australian and Brazilian suppliers in euros instead of pounds and dollars. The company receives much of its income in continental European currencies and has been hit exceptionally hard by their decline against the dollar and the pound. Page 14

Leaders of 34 countries in the Americas promised to press ahead with the creation of a common market in goods and services by 2005 that would embrace 750m people. Page 14; Clinton fails to sway doubters, Page 3

British Aerospace and Dassault aviation of France are to form a joint venture to develop new technology that could be used in their competing combat aircraft, Eurofighter and Rafale. Page 15

The London International Financial Futures and Options Exchange is expected to make radical changes to its structure which could include full demutualisation. Page 16

Martin Ebner, the Swiss financier, has increased his stake in ABB to more than 5 per cent, in a move that could signal his plans to take a more active interest in the international engineering company. Page 15; Observer, Page 13

Progressive Asset Management, the UK "vulture fund" manager, hopes to launch a UK fund in June to target sickly emerging markets investment trusts. Page 16

Evikhon, a private Russian oil group partly owned by two quoted UK companies, is to be floated on the Russian stock market. Page 18

Credit Mutuel, French mutualist bank, is to release back on to the stock market 15 per cent of CIC, the state-owned bank in which it has two-thirds control. Page 20

Lazio, the Rome soccer club, will today kick off its roadshow to publicise its offering of shares to private and institutional investors. The club will be the first Italian soccer team to offer shares on the stock market. Page 19

Brazil's Superior Tribunal of Justice (STJ) has ruled that the sale of Metropolitana, the largest electricity distribution company in Latin America, was valid. Page 20

Caterpillar, US manufacturer of earth-moving equipment, announced record first-quarter results, reporting an after-tax profit of $430m, up 9 per cent on the same period in 1997. Page 18

AIG, the US-based international insurance group, has reportedly offered to take over Aoba Life Insurance of Japan. Page 19

NCR, US data warehousing and computer group, plans to acquire the 30 per cent of NCR Japan it does not already own. Page 20

Hong Kong today sees the launch of two new stock market indices, including a bumper Hang Seng 100 Index that brokers believe will eventually transplant the existing index. Page 20

Eva Airways, Taiwan's second largest international carrier, suffered foreign exchange losses last year from Asia's currency turmoil, although passenger volume was only lightly affected. Page 19

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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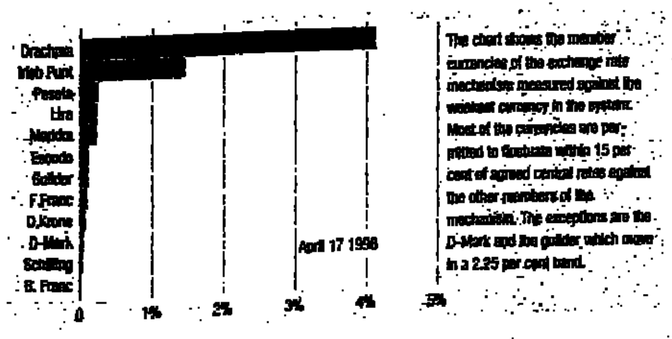

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder, which move in a 2.25 per cent band.

Currencies, Page 29

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WORLD NEWS

LIFE ASSURANCE TAX DISCRIMINATION SEEN AS A BARRIER TO MULTINATIONAL GROUPS SETTING UP SINGLE SCHEMES ACROSS EUROPE

Court ruling set to allow EU-wide pensions

By Jane Martinson, Investment Correspondent

A leading pensions consultant in Brussels expects a ruling to be delivered next week by the European Court of Justice (ECJ) to open the door to pan-European pensions and insurance policies.

The judgment on the Safir life assurance case is expected to follow the advice of the advocate general and to declare tax discrimination between member-states illegal under EU law.

Such tax discrimination has proved a barrier to multinational companies, in particular, which are keen to set up one central pension fund to cut costs and improve portability for staff across Europe.

Geoffrey Furlonger, head of EU practices at William Mercer in Brussels, said: "This removes the last major barrier to the creation of pan-European pension funds. With this case we are 85 per cent of the way there."

The European court is expected to make its ruling on Tuesday next week. It is rare for an ECJ ruling to go against the advice of the advocate general.

The Safir case involves a Swedish woman who chose to buy life assurance from Skandia in England. Swedish authorities imposed a tax on the product as it was not bought domestically, a move which was declared illegal by the advocate general last year.

In addition, his judgment rejected the application of a previous European court case ruling in Belgium – the Bachmann case – which stated that the lack of cohesion was a valid reason for differential tax treatments among member-states.

"Many observers believe that it is only the Bachmann case which is preventing widespread use by multinational employers and insurers of pan-European insurance and pension vehicles," said Mr Furlonger. Insurance products are typically used to provide pensions in Europe.

Mr Furlonger added that recent work on setting up a pan-European fund for a multinational client had foundered on the issue of tax. "It's the tax barriers which made it hardly worthwhile. You would typically have to create byzantine tax structure to get local tax credits."

Simon Arnot, an adviser at British American Financial Services, part of the Allied Dunbar group, said the decision was likely to bring pan-European pension funds a step closer. However, he said there was still an issue over fiscal coherence in the Bachmann case.

Any change to the tax system for pensions is likely to be opposed by some member-states. Examples of the remaining barriers include social security complications and the national pension system in France.

However, an ECJ judgment would be welcomed by many multinational companies. Jos van Niekerk, managing director at Unilever Pensioenfonds in the Netherlands, welcomed any move which would make a pan-European fund easier to create.

New term for president in Austrian poll

By Eric Frey in Vienna

Thomas Klestil, Austria's federal president, was elected yesterday to another six-year term with a sweeping majority.

The conservative incumbent gained 63.5 per cent of the vote, and his nearest challenger, Gertraud Knoll, a protestant bishop running on a centre-left platform, won 13.5 per cent.

Mr Klestil's re-election was widely predicted by opinion polls and reflected his high job approval rating and voters' desire for continuity. The 65-year-old former diplomat, who was put up by the conservative People's party in 1992, ran formally as an independent this time and was also backed by the Social Democratic party and the far-right Freedom party, the biggest opposition force.

The result showed that "the Austrians are profoundly reasonable. During a period of extreme change, Mr Klestil had managed his tasks extremely well," said Wolfgang Schüssel, foreign minister and People's party chairman.

During the campaign, Mr Klestil stressed his experience in foreign affairs and his role as an impartial arbiter in domestic politics. He helped to break Austria's international isolation after the disastrous presidency of Kurt Waldheim, who was shunned by most western countries because of allegations that he was involved in atrocities while serving as a German soldier during the second world war.

Mr Klestil worked hard for Austria's entry into the European Union and strongly supported such EU projects as monetary union and eastern enlargement. He also advocated Nato membership in the past, but backed away during the campaign to gain the support of the Social Democrats, who favour neutrality. Marital problems and a bout of lung diseases overshadowed his first term, but did not harm his popularity.

The head of state has mostly representative functions, but his voice counts on important issues and he can influence the formation of a government.

Mr Klestil was a strong supporter of the coalition between the People's and the Social Democratic parties and is known to be on good terms with Chancellor Viktor Klima, a Social Democrat, who angered some in his party by not putting up a candidate against Mr Klestil. But during the campaign, he also embraced Jörg Haider, the populist leader of the Freedom party, and won Mr Haider's endorsement in return. Mr Klestil is still expected to back the continuation of the current coalition after next year's parliamentary elections.

Among the other candidates, Heide Schmidt, the leader of the Liberal Forum, and the construction tycoon Richard Lugner both scored about 10 per cent.

Spaniards duel to be Socialist candidate

David White on a primary contest to assume Felipe González' mantle

Two men of the same generation but contrasting styles fight it out this week to be Spain's Socialist opposition candidate for prime minister in the next election, due by early 2000.

It will be the first time since the Franco dictatorship that the Spanish Socialist Workers party (PSOE) has fought a general election under anybody but Felipe González, the charismatic leader who brought it four consecutive victories and headed the government for 13 years.

An unprecedented vote on Friday among the party's 380,000 members will decide which of two ex-ministers will be its figurehead in its effort to unseat the centre-right incumbent, Jose Maria Aznar.

One is Joaquin Almunia, 49, PSOE leader since last June, a reassuring, bald and bearded figure from a solid middle-class Basque background, a bit chubby and crumpled, tough by nature and sometimes cutting, but amenable and undogmatic.

The other, in the role of challenger, is Jose Borrell, just turning 51, scholarship boy, intensely clever, highly articulate, trim, clothes-conscious, with an adventurous streak and a spark of ideological passion.

Holding primaries for elected posts is a new idea which could backfire. The first trial came in the Basque country, where elections are scheduled in October. The PSOE's regional leader, Nicolaa Redondo Terreros, deciding late in the day that he ought to head its list of candidates, only narrowly won the vote.

Joaquin Almunia after his election as party leader last June AP

The premiership primary was to have been a token contest, rallying support behind Mr Almunia and putting paid to speculation about a González comeback or an early return as candidate by Javier Solana, the Nato secretary general and former Socialist foreign minister. But the campaign, launched a month ago when Mr Borrell announced he would run, has opened a Pandora's box.

Mr Almunia, an economist from Bilbao, was always close to Mr González, the youngest member of his first cabinet, minister of labour, then public administration and later PSOE parliamentary spokesman.

When Mr González unexpectedly quit the leadership at a conference last June, it was Mr Almunia to whom the party turned in a rushed search for a replacement capable of uniting it. But as the members of the new executive committee took their seats, it was Mr Borrell who drew the biggest applause from delegates.

Mr Borrell has been something of a political lone wolf. A baker's son from a small town in up-country Catalonia, he had a precocious and brilliant university career which took him to the US and France. He has a degree in aeronautical engineering, a doctorate in economics, and a master's from Stanford.

When he joined the Socialist government as state secretary for finance, he was considered a technocrat and associated with liberalising policies. But he won a name by pursuing the rich and famous for taxes. And later, promoted to "superminister" for public works, transport and the environment, he figured increasingly as a defender of the public sectors role.

He rejects "the fatalism of the market", believing there are limits to what should be left to market forces and seeing it as the state's duty to correct economic imbalances and inequalities.

Mr Borrell insists he is not "a dangerous leftist" but a social democrat. "I have always been at the centre of the left," he said on a recent campaign trip. "Others may be on the left of the centre, which is not the same thing." But he has kept away from factional struggles in the party, belonging to neither of the main clans – neither the moderate González loyalists, nor the more orthodox Socialists associated with the former number two, Alfonso Guerra, who is now out of the picture.

The two men have followed each other around the country mustering support. Mr Almunia has the backing of party barons in key regions such as Andalucia, where the PSOE has more than a quarter of its membership. He remains favourite to win, but it could be close. Ministers in the Popular party (PP) government claim they would rather fight Mr Borrell, as an easier target to attack.

Either way, it could be perilous for Mr Almunia. The party's prospects of a quick return to power, which seemed possible after the 1996 elections, have dwindled. With the country basking in economic recovery, the PP has led the polls for the past year. If Mr Almunia wins the candidacy and goes on to lose the election, he risks the criticism that the party fielded the wrong candidate. And if he loses the primary, it would re-open the question of the leadership and show up the party's difficulty in finding its way in the post-González era.

NEWS DIGEST

ITALIAN POLITICS

Berlusconi formally made leader of Forza Italia

Silvio Berlusconi, the former Italian prime minister, was formally elected president of Forza Italia, the party he founded four years ago, at the weekend. The media magnate-turned-politician was the only candidate and was elected by acclamation at the party's first national congress.

Mr Berlusconi, 61, Europe's wealthiest media tycoon, founded Forza Italia in early 1994 and led the centre-right Freedom Alliance to victory in elections in March that year. He was prime minister for seven months before his coalition collapsed when the Northern League withdrew support.

Forza Italia is now the largest party in an opposition alliance confronting the centre-left government of the prime minister, Romano Prodi. Mr Berlusconi's leadership of the opposition alliance has come under criticism from within the grouping. Opponents accuse him of mixing his political ambitions and business interests.

A Milan court convicted him last December of false accounting in a 1988 transaction by his Fininvest business empire. **Reuters, Milan**

COLOMBIAN KILLING

Civil rights lawyer murdered

Unidentified gunmen murdered Eduardo Umaña, a Colombian human rights lawyer, at the weekend, the country's second murder of a human rights campaigner in a week. On Thursday, the communist leader, Maria Arango Fonnegra, was assassinated in her home outside the capital, Bogotá.

Authorities said a special team was being assembled to investigate the crime. The government has offered a reward of $370,000 for the capture of the assassins.

Several public sector unions, whose members Mr Umaña was defending, have threatened to hold a 24-hour strike in protest at the murder. **Adam Thomson, Bogotá**

PARAGUAYAN ELECTION

Opposition candidate barred

Paraguay's President Juan Carlos Wasmosy has won a victory over his arch-enemy, former General Lino Oviedo, which could clear the way for presidential elections. The electoral tribunal barred Mr Oviedo's candidacy at the weekend after the Supreme Court on Friday ratified a 10-year prison sentence against him.

Mr Oviedo, surprise winner of the ruling Colorado party's primaries last year, was convicted of mounting an April 1996 coup attempt against Mr Wasmosy. Mr Wasmosy and allies had revived the dormant charges in order to derail Mr Oviedo's candidacy. **Ken Warn, Buenos Aires**

GERMAN POST

Mail service licences awarded

Germany has awarded the first wave of 11 licences for mail service companies wanting to challenge Deutsche Post, the state-owned mail service.

The move follows the partial opening of the German post market earlier this year. Further licences are expected to be granted in coming weeks.

Of those awarded already, two were for country-wide services. Until the end of 2002, Deutsche Post, which is being lined up for privatisation, will retain a monopoly in the handling of standard letters up to 200g and bulk, or "junk", mail up to 50g. **Ralph Atkins, Bonn**

TELEVISION IN POLAND

Rival operators to co-operate

Two rival digital television service operators have agreed to co-operate to provide Poland, Europe's fifth largest television market, with its first multichannel service from the autumn. US-financed At Entertainment and Canal Plus Polska, local subsidiary of the French pay TV channel, had planned to offer separate digital services. **Christopher Bobinski, Warsaw**

PRIVATISATION FALLOUT INVESTMENT TRUSTS TO BECOME OPEN-ENDED BY 2002

Czech funds to be forced to sell

By Robert Anderson in Prague

Czech investment funds, which became the country's most important shareholders after voucher privatisation, are to be forced to sell their holdings and allow investors to withdraw their capital.

The move, passed by the lower House of Parliament on Friday, will allow small investors to realise some gains from the country's transformation, and will result in new owners of companies capable of taking the restructuring process forward.

Hundreds of investment funds sprang up in the early 1990s, exchanging their own shares in return for citizens' share voucher booklets. However, after numerous frauds and incidents when stakes were traded with little concern for fundholders' interests, fund shares now trade at a discount of about 30 per cent to the net asset value per share (NAV) of their investments.

After the amendment passes the Senate later this summer all funds will be forced to become open-ended by the end of 2003, allowing shareholders to redeem their shares at their NAV rather than the stock exchange trading price. Funds which are trading at a 40 per cent discount to NAV will be forced to become open-ended in the first year after amendment is passed.

The amendment also cuts the maximum stake a fund can hold in one company from 20 per cent to 11 per cent by the end of 2000. Together with the need to raise cash to pay shareholders, this will compel funds to sell the large shareholdings they built up using the vouchers.

Jari Spicka, head of the financial markets department of the finance ministry, says: "Voucher privatisation resulted in a freezing of the structure of ownership. The funds are bad owners. Our companies must be restructured but the funds do not have the expertise to do this and they're not able to provide addition capital."

Investment funds have already begun grouping their shareholdings for sale at a premium to strategic investors, and switching their investments to bonds and foreign stocks.

However, they successfully pleaded for a delay in the amendment taking effect, saying it would force them to sell their stakes cheaply, so hurting their shareholders and destabilising the market.

Some funds, which are trading at huge discounts to NAV because of their managements' poor reputation, will be driven out of business as investors rush to realise their capital. But Tomas Jezek, the former head of the Prague stock exchange who is now a member of the new Securities Commission which supervises the funds, says the amendment will not be destabilising.

"In the short term there is a danger of too many shares coming on to the market but this will attract foreign investments," he said. "In the long term it can only be positive."

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SUMMIT OF THE AMERICAS US PRESIDENT UNABLE TO DISPEL FEARS OVER CONSTRAINTS OF HOSTILE CONGRESS

Clinton fails to win over doubters

By Gerard Baker in Santiago

"The United States invariably does the right thing... after it has exhausted every other alternative." Thus, quoting Winston Churchill, President Bill Clinton reassured his fellow heads of government at the weekend Summit of the Americas that, for all their fears that his administration was mishandling policy in the region, all would be right in the end.

But as the leaders concluded two days of talks yesterday with a pledge to continue the integration begun four years ago at their first summit in Miami, it was far from clear that Latin American governments shared Mr Clinton's confidence.

On a number of important questions, Latin American leaders are troubled by the realisation that, whatever Mr Clinton may promise, a Congress in Washington increasingly hostile to foreign engagement constrains the president.

The failure of Mr Clinton to secure fast track trade negotiating authority, congressional hostility to Cuba and suspicions of closer co-operation with Latin American governments on drugs may render irrelevant much of what Mr Clinton is trying to do.

US officials were eager to dispel any suggestions that they had come to Santiago weakened by problems at home. "America's leadership has not been stronger in this hemisphere for over 30 years... The president is clearly... the central figure... at this summit. The agenda is an agenda that reflects our agenda," said Sandy Berger, the president's national security adviser.

And on one level that assessment seemed correct.

The Clinton administration had made democracy the central point of the Santiago summit. The "quiet revolution" which had toppled dictatorships throughout Latin America in the last decade was, Mr Clinton claimed, as significant as the fall of the Berlin Wall. And there was recognition that in the last decade at least, the US had played a positive role in promoting that democratic revolution.

But the critical challenge facing Latin America, as US officials insisted on reminding everyone, was to underpin the new democracies with a second generation of reforms aimed at improving the social and economic conditions of the people.

The summit leaders pledged urgent action on this, but there was little confidence the US could contribute much to the process.

Raising the standard of living of the poorest Latin Americans required integrating the region's economies, opening them to trade, the leaders said. To that end the summit formally launched the Free Trade Area of the Americas – to be completed by 2005. But without US fast track authority, progress will be slow.

In the meantime, Latin Americans seem certain to press ahead with their own regional trade agreements that could leave the US out in the cold. And worse still for the US, they seem likely to push for trade pacts with Europe.

On other areas of policy, the gap between Clinton administration commitments and congressional reality was never far from the negotiations. General Barry McCaffrey, Mr Clinton's highly effective drugs policy co-ordinator, was behind an agreement with Latin American countries that could radically change the anti-drugs battle in the hemisphere.

The leaders agreed to a new multilateral evaluation system to determine whether countries in the region are doing enough to tackle narcotic production and consumption. This would, according to Gen McCaffrey, ultimately make irrelevant the US's own certification process despised by many Latin American governments as a unilateral, quasi-racist intervention in other countries.

But in a reminder of the constraints on the administration, two leading Republican congressmen issued a sharply worded warning at the summit against any attempt to water down what they see as US control over its own criminal justice jurisdiction.

In other areas too, there was a sense that the US administration might be more kindly disposed towards its neighbours than are US lawmakers. On Cuba, several leaders politely pressed Mr Clinton to do more to liberalise relations with Havana, a prospect that the US Congress continues to make highly unlikely.

Of course none of this is unfamiliar. When Winston Churchill made his famous observation, domestic US opinion was deeply sceptical about engagement outside the US. But, however well respected Mr Clinton may be, there are few prepared to bet he will prove to be as effective as Franklin D. Roosevelt.

Clinton at the summit yesterday: failure to win fast track authority will slow progress on trade AP

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US sidelined as Mercosur power grows

By Imogen Mark in Santiago

The US team in Santiago was not able to wield as much influence as it had at the first Summit of the Americas, in Miami in 1994. That summit, convened by the US, had as the main item on the agenda the aim of achieving a free trade area of the Americas (FTAA) by gradually expanding the North American Free Trade Agreement.

"The applicants were to line up and present their credentials, and then wait their turn to be invited to join," as José Miguel Insulza, the Chilean foreign minister, put it.

But Santiago was convened within the framework of the Organisation of American States – all 34 states of Latin America and the Caribbean with the exception of Cuba. The US may still be first among equals, but has only one vote, like the smallest Caribbean nation.

And US President Bill Clinton came to the meeting with no "fast-track" authority from Congress to negotiate any kind of trade agreement. In the Chilean view, that had already turned out to be an advantage.

"If they had had [fast track], they would have insisted on issues [on the agenda] that are basic for the US but for Latin America are either not acceptable now or not in the form in which the US was proposing them," a Chilean official said.

Four years on from Miami, the FTAA will not now be a gradual expansion of Nafta. Instead, regional integration will be constructed from the existing sub-regional trade groupings.

Mercosur, a customs union led by Brazil and Argentina, has become the most important alliance in the region. Paraguay and Uruguay are full partners, Chile and Bolivia are associate members. The Andean Pact, an older grouping of Peru, Ecuador, Colombia, Venezuela and Bolivia, is to start talks on closer integration with Mercosur.

In the Santiago summit the full Mercosur members sat together, as did the other regional groupings – the Andean Pact, the Central American common market and Caricom, for the Caribbean states. The Nafta partners, however, sat and acted independently.

The relative weakness of the US position meant the Mercosur group had far more influence on the agenda. The Chileans pushed in the "soft" issues of education and judicial reforms and strategies for combating poverty. The idea was to shift the emphasis away from Washington's insistence on the negative issues in hemispheric relations, such as drugs, corruption, and terrorism.

Spain to boost Cuban trade

By Pascal Fletcher in Havana

Spain's biggest business organisation, encouraged by the recent return to normal diplomatic ties between Madrid and Havana, has launched an initiative to boost the Spanish trade and investment presence in Cuba.

A delegation from the Confederación Española de Organizaciones Empresariales (CEOE), comprising 70 Spanish companies, visited the communist-ruled Caribbean island last week.

The group, headed by José Maria Cuevas, CEOE president, was believed to be the biggest Spanish business delegation to visit Cuba. The visit followed a move by Spain earlier this month to name a new ambassador to Havana. The nomination was quickly accepted, ending a diplomatic row which had started in late 1996 when President Fidel Castro's government, stung by Spanish criticism, had refused to accept a new ambassador.

Mr Cuevas yesterday announced agreements with the Cuban authorities to promote and support Spanish investment in Cuba. A number of projects and letters of intent, covering several sectors of the Cuban economy had been signed by members of his delegation.

Cuba had also indicated its desire to renegotiate the Pta120bn ($777m) debt it owed to Spain.

Among the Spanish companies discussing possible projects in Cuba is the power company Endesa, which is interested in becoming an investor and operator in a $500m Canadian-led joint venture to modernise and expand a Soviet-built thermo-electric power plant on the island.

- The Canadian prime minister, Jean Chrétien, will visit Cuba on April 27, invited by President Castro, in a visit expected further to boost fast-developing trade and political relations.

UK mission aims to get share of Argentine banking action

By Ken Warn in Buenos Aires

A British trade mission is visiting Argentina this week in an effort to drum up more financial services business and chip away at New York's dominance of local investment banking and asset management.

The mission, led by Howard Davies, chairman of the Financial Services Authority, includes more than 30 representatives. It is dominated by financial services, but includes construction and engineering companies such as Rolls-Royce and Kvaerner Corporate Development.

Britain was targeting areas such as retail banking, asset management, mutual funds, and financial options and futures, said William Marsden, Britain's ambassador to Argentina.

While it was unrealistic to think the City of London could overthrow New York's long-established dominance of local investment banking, Britain wanted to win more of the business, and encourage bigger Argentine companies to list on the London stock exchange. "Argentina is interesting for the mission for two main reasons," said Mr Marsden. "Economic momentum has been maintained after the Asian financial crisis – no one is talking about growth of less than 5 per cent this year. Secondly, there is a strongly increasing demand for capital."

Among Argentines, widespread public distrust of financial institutions was being steadily overcome, thanks to continued economic stability, he added.

The mission comes against a background of increasing trade between the two countries, which was halted after the 1982 Falklands conflict. UK exports to Argentina totalled £457m ($813m) last year, against imports of £270m. However, Britain's share of Argentine imports, at 2.7 per cent, is still about half its pre-conflict level.

"We are rebuilding our economic and investment links with Argentina for our mutual benefit," said Mr Marsden. "We want to encourage Argentine businesses to sell to Britain."

Britain's financial presence in Argentina received a big boost last year with the HSBC Group's $600m purchase of the Roberts banking and financial services group.

Commercial ties are expected to be underlined during President Carlos Menem's visit to Britain, due this October or November.

Former Korea chief of staff questioned

By B.J. Lee in Seoul

South Korean prosecutors yesterday questioned former President Kim Yung-Sam's chief of staff in a widening probe into the country's financial crisis late last year which could extend to include the former president himself.

Along with two other separate investigations into alleged corruption cases under the Kim government, the probe could lead to prosecutions of many who worked for Mr Kim as bureaucrats or politicians, affecting results of local elections scheduled for early June.

Mr Kim ended his five-year term in February to be replaced by President Kim Dae-Jung, who won the December election on the back of popular anger over the old government's failed economic policy.

The former president's chief of staff, Kim Yong-Tae, was questioned by prosecutors to determine responsibility for the financial crisis which led South Korea to the brink of national default, forcing it to seek a record $60bn bailout by the International Monetary Fund.

News reports said former President Kim would also be questioned in connection with a recent claim by government auditors that his finance minister, Khang Kyong-Shik, and chief presidential economy adviser, Kim in-Ho, aggravated the financial crisis by not reporting the seriousness of the matter to the president promptly.

The two are also accused of refusing to seek help from the IMF, ignoring warnings by the central bank and officials that IMF assistance was required.

Mr Khang, who had served as the finance minister for seven months until he was sacked by the president in November, has claimed in recent media interviews that the Korean economy's structural problems, not his policy failures, were responsible for the crisis. Former President Kim himself is also blamed by critics for not taking action early enough.

Executives at several merchant banks and the banks association have been questioned amid allegations that several merchant banks were granted government licences between 1994 and 1996 after bribing officials at the ministry of finance and economy.

Merchant banks are widely viewed as a key reason for Korea's foreign currency crunch late last year. They had borrowed large amounts in short-term debts in overseas markets to relend them to companies in the form of long-term loans to take advantage of the difference between short- and long-term interest rates. Their inability to pay back the short-term debts worsened Korea's foreign debt payment problems.

China frees dissident ahead of US summit

By James Kynge in Beijing

China sent Wang Dan, its last world-famous imprisoned dissident, into exile in the US yesterday, a move which diplomats said was calculated to win concessions at a US-China summit in June.

A US official yesterday said Washington welcomed the decision to release Mr Wang. It was positive news and something the US had been working towards for some time, the official said.

The European Union also welcomed the release and the UK foreign secretary, Robin Cook, said he hoped there would be progress on other such cases.

Human rights groups approved of the release but complained that Beijing was playing a cynical game ahead of the visit of Bill Clinton, the US president.

Mr Wang, a leader of the 1989 student protests in Tiananmen Square, was released on medical parole from a prison in northeast China where he was serving an 11-year sentence for plotting to overthrow the government. China released Wei Jingsheng, father of its modern democracy movement, late last year following a summit between Jiang Zemin, China's president, and Mr Clinton.

Shang Dewen, former professor at Beijing University, said Mr Wang's release did not signal a change in China's attitude and was unlikely to presage the release of a significant number of political prisoners.

The release, he said, was aimed at building US goodwill before the summit. It would allow China to deflect human rights criticism and help it achieve what commentators say is one of its main summit goals – banishing a stigma still lingering from the Tiananmen massacre. Specifically, Beijing wants Tiananmen-era curbs, such as those on the Chinese launching of US satellites, to be lifted.

On the trade front, US officials say the summit would provide an ideal opportunity to try for progress in talks on China's planned accession to the World Trade Organisation. Thomas Pickering, US undersecretary of state, tempered the optimism this month by noting that there were a tremendous number of issues on China's WTO accession needing to be resolved.

A more trusting relationship with the US may also assist China in another policy priority, its quest to reunify with Taiwan. The US has been applying pressure behind the scenes to bring Taipei back into dialogue with Beijing, diplomats said.

A deputy secretary general of the Taipei-based Straits Exchange Foundation, the nominally unofficial body which conducts the island's talks with China, is expected in Beijing this week to restart dialogue broken off in 1995 after Beijing protested against a visit to the US by Lee Teng-hui, Taiwan's president.

Russia, Japan take steps to strengthen ties

By Michiyo Nakamoto in Tokyo

Russia and Japan took a step towards strengthening relations in a weekend meeting between President Boris Yeltsin and Ryutaro Hashimoto, prime minister, at the Japanese seaside resort of Kawana.

The meeting produced few big surprises but confirmed the deepening ties between the two countries, which are crucial to the stability of the Asian region.

It was agreed that Mr Hashimoto would make an official visit to Russia later this year and Mr Yeltsin would visit Japan next year. The past two meetings which have led to a significant improvement in bilateral relations have been on an unofficial basis.

In addition, Japan offered to disburse $600m in untied loans within the year, as part of $1.5bn in untied loans offered to Russia when the Japanese foreign minister visited Moscow.

Aside from the international politics, both leaders are under increasing pressure on domestic issues. Mr Yeltsin is facing a serious challenge to his authority after the Russian parliament failed for the second time to approve his candidate for prime minister. Mr Hashimoto, meanwhile, is up against the possibility that the Japanese economy is falling into recession, a situation which has undermined his political standing.

The two sides agreed to expand economic co-operation. Programmes that they agreed to implement include a business training programme, a programme to encourage Japanese investment in Russia, and an agreement to swap cuts in greenhouse gas emissions. Japan also offered to help Russia improve market-opening measures to qualify for membership of the World Trade Organisation.

There was, however, no breakthrough on the disputed northern islands, which have been an obstacle to better bilateral ties since the second world war.

At their previous unofficial meeting in the Siberian town of Krasnoyarsk, Mr Yeltsin surprised Japan by proposing the two countries work towards concluding a peace treaty by 2000 on the basis of an understanding that the four islands, the Kuriles, belong to Japan.

Hashimoto (left) and Yeltsin in Kawana, Japan, at the weekend AP

US throws its weight behind Cambodia poll

By William Barnes in Bangkok

The US yesterday joined other western Friends of Cambodia countries in supporting the Phnom Penh government's plan to hold a general election on July 26 – despite the documented killing of some 100 opposition supporters since last year's bloody coup.

The group – it includes Japan, the European Union and Australia – said there had been marked progress in the ability of all political parties to freely participate in the electoral process.

Washington is now expected to donate up to $7m to help private agencies support and monitor the vote.

The US has lagged behind the EU and Japan in offering to help fund the election.

But grave doubts remain about participating in a dubious election that Cambodia's strongman, Hun Sen, hopes will give international legitimacy to rule by his Cambodian People's party.

Bill Richardson, US ambassador to the United Nations, said after the Bangkok meeting that his country was very concerned about human rights abuses and the ruling party's control of the media.

"We are not out of the woods yet," said Mr Richardson.

Prince Norodom Ranariddh's Funcinpec party won historic, UN-sponsored elections in 1993 but was forced, by the better armed Hun Sen into an awkward power sharing arrangement that was finally smashed last July.

The vital progress that has allowed the US cautiously to support the election was last month's brief return to Cambodia by the former first prime minister, Prince Ranariddh, for the first time since the coup.

The UN special representative for human rights in Cambodia, Thomas Hammarberg, warned earlier this month that it would take a dramatic improvement in the human rights situation for free and fair elections to take place.

Philippine city plans $600m tender issues

By Justin Marozzi in Cebu

Cebu, the booming southern Philippines city, plans to issue tenders in July for an ambitious $600m waterfront development designed to emulate San Francisco's Fisherman's Wharf.

Miguel Lucero, executive director of the Cebu City Waterfront Commission, said companies from Singapore, Malaysia, Belgium, the Netherlands and the Philippines had expressed interest in the built-operate-transfer contracts for the construction of a $10m fast-ferry terminal and a $10m boardwalk. Mr Lucero said the Asian crisis has not affected sentiment for the Waterfront Development, which is seen as a 5-10 year undertaking. "For a while we thought investor confidence would be dampened, but in fact the opposite was true. There has been no shortage in companies coming forward," he said.

In partnership with the private sector, the city, which is the fastest growing in the country, has already started work on redevelopment of 37 hectares of economically moribund downtown waterfront. The fast-ferry terminal is intended to boost the city's communications infrastructure, while the boardwalk, which will house 40 shops and restaurants, is designed to appeal to the growing number of Philippine and foreign tourists.

The city's six ferry operators deliver about 8,000 Filipino commuters daily, a figure it is believed it can raise to 10,000 to 12,000 with improved vessels.

Foreign and local investors will also be invited to bid for projects worth $40m – including construction of a monorail system and high-rise parking facilities, as well as a land reclamation project, a convention centre, planetarium, aquarium and maritime museum. The city also plans to construct a $40m coastal expressway to relieve traffic congestion in the area.

Regional fall-out pushes Vietnam closer to balance of payments crisis

Capital inflows have fallen and competition from low-cost manufacturing bases will hit exports. **Jeremy Grant** reports

When a spate of mystery razor blade attacks on schoolchildren set parents' nerves jangling in Hanoi recently, Communist party censors swung into action.

Worried that the reports trickling from the local to the foreign media could damage Vietnam's image abroad, they stifled coverage.

The same reflex has been applied to the impact of the Asian financial crisis on Vietnam's frail economy. In recent months, state-run media have barely mentioned it.

But economists say that beneath the veil of censorship, there is growing concern that Vietnam could be sliding towards a balance of payments crisis, spurred on by the regional fall-out.

"It has only just started for Vietnam. There's a lot of pressure," said Le Dang Doanh, economist at the Central Institute for Economic Management, a government think tank.

That pressure is being felt on all fronts, even though the country is cushioned by the lack of a stock market and its use of a non-convertible currency.

Capital inflows have fallen as the regional downturn has hit sales of textiles and shoes, key manufacturing exports. Competition from low-cost manufacturing bases in the region is expected to hit exports harder in coming months.

Rice sales remain buoyant but exports of other big earners – crude oil, coffee and rubber – have slipped in the first quarter.

Disbursement of foreign investment is set to drop in coming months as investors from Asia fail to follow up on pledges and others scale back existing projects. In Hanoi, construction cranes have been hanging motionless over half-completed hotels for months.

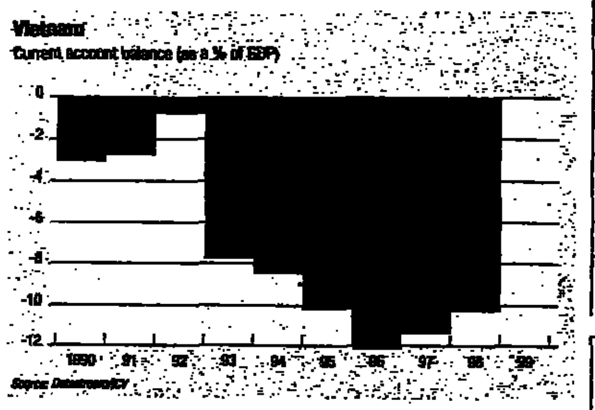
Foreign exchange reserves, already under pressure from a slew of short-term trade debts chalked up last year, have dwindled to about seven to eight weeks' worth of import cover. This worries bankers given the burden of servicing an external debt of about $10bn, or 55 per cent of gross domestic product.

The question is: How long can Vietnam continue financing itself without having to seek external aid?

Hanoi's response so far could be summed up by a local proverb: "Don't jump until the flood water starts lapping at your feet."

Instead of committing itself to deep structural reforms urged by the International Monetary Fund, World Bank and Asian Development Bank – which would release $500m in balance of payments support – Hanoi has slapped bans on imports in a bid to stem hard-currency outflows.

This has cut the first-quarter trade deficit by 40 per cent but has starved state coffers of tariff revenue. And, economists point out,



the deficit is certain to worsen again without efforts to tackle distortions in the trade regime.

"Unless they go in for commercial borrowing on a significant scale the only way they can fix it is by compressing imports. But sooner or later the fiscal situation will become unbearable," said one senior western economist.

The irony is that the informal economy is awash with cash. Official estimates put the amount of hard currency outside the banking system at about $8bn. But recent efforts by Hanoi to coax that money into the banks have met with limited success, as popular trust in the system is low.

To make matters worse, relations appear to be souring between the IMF and the Communist leadership for the first time since links were established in 1993.

Both sides have been locked in a stand-off since early this year, when the IMF said that funding depended on commitment to a clear timetable for reform of state-owned enterprises and the debt-ridden financial system.

Bar a few rhetorical flourishes, that has not yet happened – although last week Hanoi announced that state-owned enterprises would have to implement huge job losses the face of the regional crisis.

Senior officials have started criticising the IMF for withholding funding at a time when they believe it should be helping out. Yet the IMF is in no mood to come forward, as it wants to avoid financing the current policy drift.

Analysts say that although Hanoi could muddle along for up to 12 months, nothing less than political reform will solve the long-term problem.

According to Robert Templer of the University of California: "Policymaking has ground to a halt to such a degree that there's no hope of serious economic reform without some sort of major shift in the political system."

NEWS DIGEST

PAKISTAN POWER SECTOR

President signs new law to combat corruption

Pakistan's President Rafiq Tarar has signed a tough new law to combat corrupt business practices. The law is widely regarded as aimed at private power companies.

It allows a maximum seven-year prison term for businessmen found guilty of bribing officials. It follows recent threats by officials and government ministers that they could investigate contracts signed with private investors under a 1994 power policy if evidence of corruption was found.

The government says that the tariff offered to the private power companies is exorbitant. Some officials have also criticised the tariffs given to the Hub power company and Kot Addu power company, although their terms were not negotiated under the 1994 policy. National Power of the UK has invested in both projects. **Farhan Bokhari, Islamabad**

NEPAL HYDROPOWER PROJECT

Enron asked not to withdraw

Nepal will ask Enron of the US to reconsider its decision to withdraw its application to build a hydropower plant in the Himalayan kingdom, the finance minister, Ram Sharan Mahat, said yesterday. Last week, Enron Renewable Energy withdrew its application to build a dam on the Karnali river in west Nepal to produce a maximum of 10,800MW of hydropower for export to India and China.

Officials said the Houston-based company had pulled out of the project after reviewing the "power and financial markets". Enron said on April 14 in that the project was withdrawn mainly because of uncertainty in "selling a large block of power to a market outside Nepal". **Reuters, Kathmandu**

HONG KONG CORPORATE COLLAPSE

Banker extradited from Britain

A former Hong Kong banker linked to the territory's biggest corporate collapse was extradited from Britain at the weekend, the government said. The return of Ewan Launder – who had argued that he would not receive a fair trial in Hong Kong after China resumed sovereignty in June last year – ties up one of the remaining loose ends in the scandal of the Carrian group, which collapsed in late 1983 with an estimated net debt of US$1bn.

Hong Kong's anti-corruption body wanted Mr Launder, 61 and former chief executive of Wardley (now HSBC Investment Banking), on corruption charges involving more than HK$40m (US$5.34m). He was alleged to have accepted bribes in return for showing favour in making loans to the Carrian and Eda groups of companies.

The collapse of Carrian and a series of related murders shook Hong Kong in 1983, but it was only in 1996 that George Tan, the Malaysian-born tycoon behind the property conglomerate, was sentenced on fraud charges involving US$238m against Bumiputra Malaysia Finance and parent Bank Bumiputra Malaysia. **Louise Lucas, Hong Kong**

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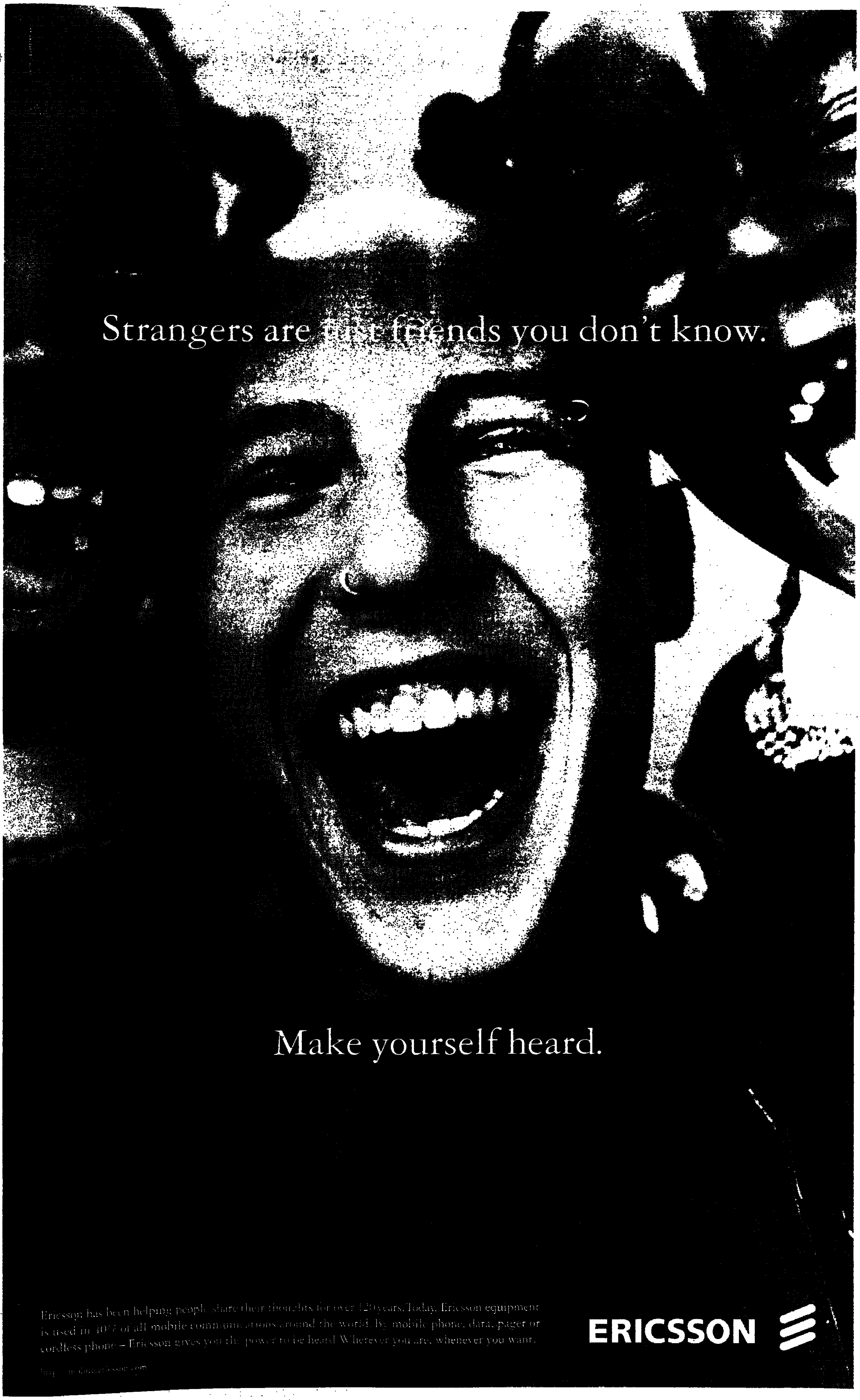


DONOR PRESSURE DIESEL-FIRED POWER STATION PLAN FALLS FOUL OF WORRIES FOR OFFSHORE GAS SCHEME

Tanzania cancels Malaysian deal

By Michela Wrong and Michael Holman

The Tanzanian government has succumbed to donor pressure and challenged the terms of a controversial Malaysian power contract which jeopardised the country's $350m Songo Songo gas project and threatened to derail its structural adjustment programme.

Diplomats in Dar es-Salaam reported over the weekend that a seven-member Malaysian delegation representing Independent Power Tanzania (IPTL) power scheme were served with a deportation order after attempts to renegotiate the $163m deal failed.

The breakdown came after months of unprecedented pressure from the World Bank, International Monetary Fund and bilateral donors who demanded that President Benjamin Mkapa's administration either renegotiate or cancel the project.

The diplomats said that after three days of fruitless talks with the Malaysians, the Tanzanian government had decided to default on the contract, possible penalties notwithstanding, and take the matter to international arbitration if necessary.

There was no immediate government comment.

Controversy has surrounded IPTL since it became clear that if pushed through, it could lead to the cancellation of one of East Africa's most ambitious investments. Backed by the World Bank, Britain's Commonwealth Development Corporation and the European Investment Bank, the Songo Songo scheme envisages extracting off-shore gas to provide a cheap energy source to be exploited by first Tanzania and, eventually, its neighbours.

Late last year, donors discovered that the terms for the construction of IPTLs 100MW diesel plant locked the government into buying all the electricity it produced in spite of the fact that, per kilowatt, it would cost 2½ times more than power due to be supplied by Songo Songo.

The Tanzanian ministry of energy justified the IPTL deal on the grounds that it was signed in 1995 following a prolonged drought that reduced output from the country's power plants. It said Songo Songo's commissioning was behind schedule at the time and an alternative was urgently needed.

But local experts said Tanesco, the cash-strapped power parastatal, would be unable to honour its contracts with both power schemes, which commited it to paying out a total of $11m a month in revenue.

The Songo Songo scheme envisages extracting offshore gas to provide a cheap energy source to be exploited by first Tanzania and, eventually, its neighbours

What aroused the suspicion of the donors was the secrecy surrounding such an important deal in a sector in which the World Bank was heavily involved, and what Bank officials described as "the undue haste" with which it was struck.

The fact that stiff penalties were built into the IPTL contract in case of either renegotiation or default also led donors to challenge an expensive project conceived under what donor representatives called questionable circumstances.

The World Bank had threatened not to conclude a $200m loan to Songo Songo and the International Monetary Fund warned that if IPTL went ahead Tanesco's tariffs were in danger of rising so high that macroeconomic targets would be missed. Suspension of the Funds $234m structural adjustment facility would in turn have scuppered Tanzania's chances of persuading the international community to reschedule its debt.

Caught between its contractual obligations to Malaysia, an important ally, and the possibility of both the cancellation of Songo Songo and the disruption of its structural adjustment programme, Tanzania has opted for the latter.

Diplomats in Dar es-Salaam were yesterday welcoming the decision, however belated, as a triumph of good sense. But some donors also acknowledged that serious damage had been done to Tanzania's investment profile.

"Had it not been for the clout of the Bank and the Fund, there is a real question as to whether the government would have challenged the contract," said an official. "Would-be investors without such heavy-weight partners may think twice before venturing into Tanzania."

Jakarta blames speculators for crisis

By Laura Silber in New York

Indonesia at the weekend blamed financial speculators and hedge funds for part of its financial woes and said east Asian banks should reform to make better use of international financial resources.

Faud Bawazier, Indonesia's finance minister, on Saturday said that currency speculators had helped to ignite the Asian financial crisis.

He was speaking at a UN meeting called to promote financial stability by co-ordinating policies of government, the United Nations and international financial institutions such as the International Monetary Fund.

Opening the special session of the UN Economic and Social Council, Kofi Annan,

Kofi Annan: 'Macro-aggregates do not capture the trauma'

UN secretary general, earlier warned that economic indicators did not reflect the trauma people suffer during a financial crisis and called for efforts to diminish its impact.

"Macro-aggregates do not capture the trauma that individuals and families have to undergo as a result of a crisis of this nature," he said.

Anwar Ibrahim, the Malaysian finance minister, said the recent Asian financial crisis had wrenched the region "from paradiso to inferno in a matter of months".

"It's unfair, it's all together unjust simply to blame governments... for the crisis," he said.

Mr Anwar said that the "international financial architecture" was as responsible for the crisis as national government.

"If the fundamental flaws in the global financial system – such as the unpredictability of the international capital markets and the systemic fragility of the international monetary system – are not remedied soon, the world is headed for a series of financial convulsions of increasing severity," said Mr Anwar.

Mr Faud said: "International market players, it seems to me, must bear part of the blame for the financial crisis that has swept over Asia, because they poorly evaluated both the long-term economic returns of the projects they were funding and short-term stability of a region swamped in short-term lending."

Speaking one day after reaffirming Indonesia's commitment to reforms that were agreed with the IMF as part of a $43bn international aid package, he said international financial resources could be used productively "if our financial institutions are managed such that allocation decisions are made on the basis of economic merit".

Clare Short, British secretary for international development, told the session that "globalisation was not an optional extra", and called for existing international financial institutions to work together instead of competing against one another.

Among the participants at the UN meeting were finance ministers from Algeria, Belgium, Colombia, Morocco, Pakistan and South Africa.

International officials included senior diplomats, Michel Camdessus, the IMF managing director, Sven Sandstrom, the World Bank's managing director, and James Michel, of the Organisation for Economic Co-operation and Development.

Singapore voted favourite airport

International travellers have voted Singapore's Changi their favourite world airport for the second year in a row, but Helsinki's Vantaa is not far behind, Reuters reports from Geneva.

Among airports processing more than 25m passengers annually, Amsterdam's Schiphol emerged top with Orlando in Florida and Atlanta, Georgia, close behind, according to the report. The International Air Transport Association has produced the report, and related findings on airline popularity in the past five years, basing returns on questioning of 78,000 passengers on aircraft and at airports.

Although the full report has not yet been released, a summary of its findings from a survey covering 62 terminals and hubs across the globe was issued by the journal, bi-monthly organ of the Geneva-based Airports Council International.

Because new airports were brought into the survey for 1997, comparisons with past performance were difficult, although Singapore's dominance in perceptions of overall passenger convenience and in separate service areas remained strong.

Over 75 per cent of people questioned in the survey rated Changi's new terminal as "excellent". The Finnish capital's relatively small airport, home base for the national airline, Finnair, but not previously included in the survey, came just ahead of Britain's Manchester, number two in the past.

In fourth place was Australia's Melbourne and in fifth Geneva's Cointrin international airport, fighting hard to retain its role as a hub after the national carrier, Swissair, switched most of its long-haul routes to Zurich at the end of 1996.

The Iata survey measured satisfaction of international passengers on a scale of 0-10 across 23 service categories.

Business travel, Page 9

EU boost for oil-for-food scheme in Iraq

By Roula Khalaf in London

A European Union-sponsored conference begins in London today to consider ways of swiftly implementing the United Nations oil-for-food programme in Iraq.

The two-day meeting by the UK presidency of the European Union will express British concern about the plight of the Iraqi people, in spite of a hardline policy towards the Iraqi regime.

The conference has been strongly denounced by Baghdad. Iraq sees the oil-for-food deal, which has been expanded to allow it to sell up to $5.3bn of oil every six months to buy humanitarian goods, as an effort to alleviate western conscience at the suffering of ordinary Iraqis. Baghdad officials say the oil-for-food deal is a backdoor means of maintaining the crippling sanctions imposed on the country following the 1990 invasion of Kuwait.

UK officials said the conference will be a "brain-storming session" to produce practical recommendations on how donor countries and non-governmental organisations can work to help the UN implement the oil-for-food deal.

The Foreign Office said yesterday the UK would not duplicate or usurp the work of the UN.

While American and British officials accuse Iraq of dragging its feet in implementing the oil-for-food programme, Iraqi officials say the blocking of contracts by the US and UK is to blame for delays in delivery. UN humanitarian officials in Baghdad consider that the complex and bureaucratic system for approving contracts – and some blocking by the US and UK – has created bottlenecks in the working of the oil-for-food deal.

After dispatching a team of experts to Iraq to study the needs of the oil industry and assess Iraqi claims that it cannot produce $5.3bn worth of oil every six months, the UN said last week that some $300m was needed for spare parts and equipment. Even with this amount, however, the experts concluded that Iraq would only be able to export $3bn worth of oil in six months this year and up to $4bn next year.

The London conference comes amid signs of renewed tension between the UN and Baghdad. With the UN Security Council getting ready for a review of sanctions at the end of this month, Baghdad is stepping up pressure and warning that it should be rewarded for its co-operation with the UN.

An Iraqi government newspaper said at the weekend that weapons inspectors' visits to presidential sites were not "an open process without a time ceiling". Iraq agreed to open eight presidential sites to inspectors after a deal clinched in February in Baghdad by Kofi Annan, the UN secretary general. The deal, which averted a US- and UK-led military strike on Iraq, made clear that no time limits would be set on inspection.

The Iraqi warning followed a UN weapons inspectors' report last week which said they had made virtually no progress in the past six months in verifying that Baghdad had destroyed the rest of its weapons of mass destruction. William Cohen, US defence secretary, said at the weekend that it was not enough for Iraq to open up its presidential sites for inspection. He said Baghdad had an obligation to prove that it had destroyed all the materials before sanctions could be lifted.

Another assessment by inspectors who visited the presidential sites suggested that Iraq had cleaned up the compounds. Western diplomats now say it is appearing increasingly unlikely that inspectors will find incriminating evidence in the palace sites.

CONTRACTS & TENDERS

REPUBLIC OF GHANA

DIVESTITURE OF STATE-OWNED ENTERPRISES
STATE INSURANCE COMPANY OF GHANA LIMITED

REQUEST FOR EXPRESSIONS OF INTEREST FROM STRATEGIC INVESTORS

The Divestiture Implementation Committee (DIC), acting on behalf of the Government of Ghana, has appointed Sterling International Group, Inc. as consultants (the "Consultants") to advise in connection with, and ultimately to implement, the divestiture of the State Insurance Company of Ghana Limited (SIC).

ENTERPRISE PROFILE

SIC was set up in 1962 and converted into a limited liability company in August 1995, pursuant to the Statutory Corporations Act of 1993.

The company's principal object is to act as insurers and re-insurers for general types of risk. Currently, SIC underwrites the following classes of insurance business: (a) life insurance; (b) non-life insurance (including motor insurance, marine and aviation insurance and fire insurance); (c) bonds and guarantees for constructional works and other commercial purposes; and (d) re-insurance.

The company's premium income for 1996 was approximately 40 billion cedis*, representing 60.9% overall market share. SIC's market dominance is backed by an extensive marketing and distribution network of 14 area branch offices, 16 contact offices and 200 agents. In the period of 1993-1996, the company's premium income grew at an annual compound rate of 42.6%. The SIC privatization represents an attractive investment opportunity in view of the company's premier market positioning, the upside that will come from future improvement of operational and distribution efficiencies and the continued growth of the industry.

The divestiture of SIC involves (a) the sale of approximately 40% or more of the shares to a Strategic Investor (SI); (b) a further sale of shares to the public; and (c) the listing of the company on the Ghana Stock Exchange (GSE).

LETTERS OF INTEREST

Interested potential strategic investors are hereby invited to submit letters of interest to the Consultants by close of business on Friday May 15th, 1998. Letters should contain:

(i) Description of the investor's activities;
(ii) Details of ownership structure;
(iii) Experience in managing insurance companies in emerging markets;
(iv) Current information on the investor's financial standing, including disclosure of networth; and
(v) Description of the investor's network of affiliates.

All inquiries and letters of interest should be addressed to:

Sterling International Group, Inc.
Attention: Mr. Roger Jantio, Managing Director
1901 Pennsylvania Avenue, NW
Suite 600
Washington, DC 20006 U.S.A.
Tel: (202) 785 3500 Ext. 301
Fax: (202) 785 3505
E-Mail: Rjantio@SterlingUS.com

Strategic African Securities Limited
Attention: Mr. James Akpo, Managing Director
P.O. Box 16446
Airport Accra
Ghana
Tel: (233-21) 23 13 86 / 23 37 77 / 24 42 36
Fax: (233-21) 22 98 16
E-Mail: sasltd@ncs.com.gh

** USD 1=1,600 cedis (1996)*

The DIC and Sterling International Group, Inc. reserve the right to extend the deadline for the submission of letters of interest, reject any letter of interest without stating the reasons for doing so, or cancel this invitation.

هكذا من الأصل

NORTHERN IRELAND UK PRIME MINISTER SEEKS TO REASSURE UNIONISTS OVER DECOMMISSIONING FEARS

Blair heads off criticism on arms

By John Murray Brown in Dublin

Tony Blair, the British prime minister, yesterday sought to reassure sceptical Ulster Unionists on the sensitive issue of paramilitary arms, in the wake of Saturday's decisive vote by the party's ruling council to support the Northern Ireland peace deal.

Mr Blair said the peace agreement not only demanded arms decommissioning but also set a time limit.

On Saturday, the ruling council of the Ulster Unionist party, the largest pro-British party in Northern Ireland, voted 540 to 210 in favour of the deal. But party critics complained of the lack of a requirement for the IRA to disarm before Sinn Féin joined a future Northern Ireland government.

Mr Blair said on Sky television that a provision in the agreement meant parties not committed to exclusively peaceful means could be removed. He said people had to be clear that what was happening was not a tactical game by the IRA.

David Trimble, the UUP leader, said there would be "no unreconstructed terrorists at the heart of the administration". He said the prime minister had given an assurance that progress would have to made in the first six months of the agreement, and that the transfer of powers from Westminster to make the assembly operational would not take place until the new year. This would give "plenty of time" to deal with the issue.

Without setting decommissioning as a precondition to the UUP's participation in the government, he said: "We need to know the terrorist campaign is over, is permanently over. That is an absolute and we're not going to fudge this and I don't believe that Tony Blair is going to fudge it either."

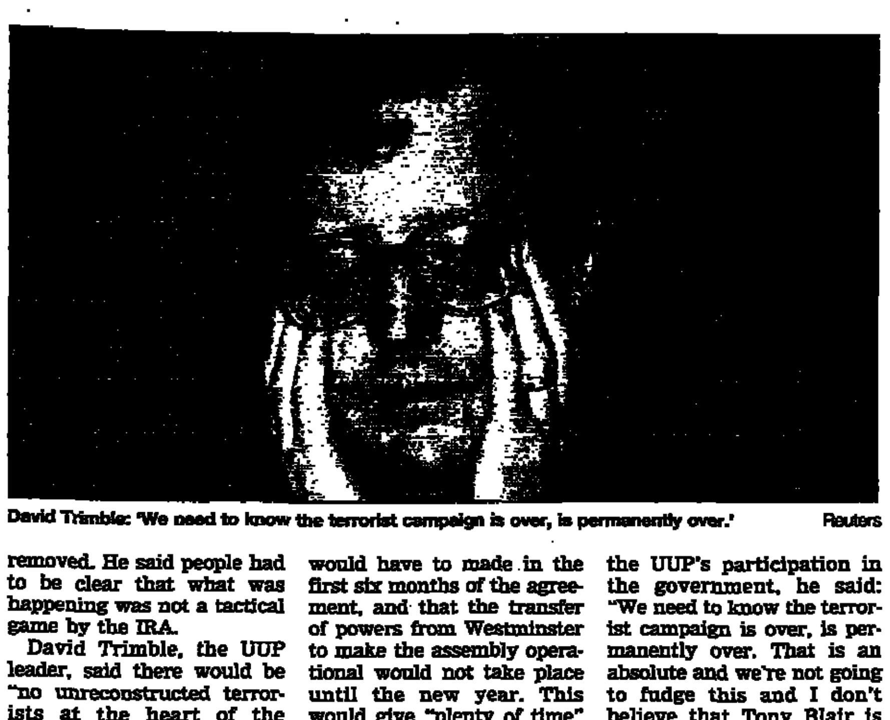
His comments came as Gerry Adams, the Sinn Féin president, told his party's annual conference in Dublin that the IRA remained "intact, strong, undefeated and undefeatable".

However, Martin McGuinness, the party's chief negotiator and usually a hardline voice, conceded that any change in Ulster's constitutional status depended on "the will of the majority in the northern state".

He said it was "a bit like a partner in a relationship saying that the relationship is over, but that he or she is willing to wait until the children are grown up".

Sinn Féin will meet again in the next few weeks, when the leadership is expected to recommend that the party endorse the deal.

But Mr Adams said that while republicans in Northern Ireland might be pragmatic, party members in the Republic could be more sceptical, particularly on proposals to amend the territorial claim to the province in the 1937 Irish constitution.



David Trimble: 'We need to know the terrorist campaign is over, is permanently over.' Reuters

Brokers caught between two payments

Fees paid by underwriters may lead to conflict of interest, writes **Christopher Adams**

The disclosure that commercial insurance brokers are receiving payments from underwriters as well as fees or commission agreed with clients raises several issues.

Most important, there is concern that these arrangements may lead to conflicts of interest: in primary insurance, brokers are supposed to act for the insured, not the insurer.

Second, is the question of transparency. Commercial insurance buyers are entitled to ask for details of the remuneration from underwriters.

Third, for Lloyd's of London, which is dependent on brokers for business, such practices could raise the cost of doing business. Many commercial risk managers could be unaware of the full extent of remuneration, and be upset by it, which suggests rules on disclosure may be inadequate.

Documents obtained by the Financial Times show how commercial insurance brokers are remunerated by underwriters.

A contract between Aon Group, the world's second biggest insurance broker, and an insurer contained details of an "administration and service" fee. This was equivalent to 7.5 per cent of net written premiums.

In this instance, where the contract applied to a broad book of business, the insurer also agreed to pay 10 per cent of the portfolio's underwriting profit to the broker.

Another contract, between an insurer and J&H Marsh & McLennan, the world's biggest broker, outlined an agreement under which the broker received payments from the insurer calculated as a percentage share of gross written premiums. These increased along with the volume of business placed with the insurer. If premiums rose to more than £500,000, the broker received 7.5 per cent.

Neither agreement concerned business from specific clients. The J&H Marsh & McLennan contract also gave the broker first refusal on arranging any reinsurance the insurer wanted for the original business.

J&H Marsh & McLennan says it received such payments for many years. But some underwriters have protested that brokers are exerting pressure on them to sign contracts in exchange for access to business.

Commercial insurance buyers are concerned this could lead to conflicts of interest: "It's a question of whether the broker is taking my business to an insurer because it's the best deal for me or because he gets something out of it," said one.

The practice is more common at Lloyd's. One reason may be that consolidation among brokers has concentrated business supply to Lloyd's in fewer hands, giving the brokers greater bargaining power over underwriters. Brokers find it increasingly difficult to grow revenue purely through transactional business.

Aon says it works the other way: a trend among clients to want to pay fees for specific services rather than allow the broker to take a commission has resulted in a dilemma of who should pay for the work brokers carried out for underwriters. It said remuneration from underwriters represented a small proportion of premiums.

Many Lloyd's underwriters have traditionally shared a risk. One effect of extra volume-based remuneration might be to concentrate business on fewer syndicates – the individual business units which underwrite risk. The beneficiaries would be big underwriting groups able to afford the payments and which had the established expertise and capacity to absorb large risks.

Codes of practice that apply to brokers operating at Lloyd's require them to tell clients of any benefits received while working for them.

Payments made by underwriters, although not illegal, may sometimes fall outside the normal range of commission and be caught by a general principle that brokers should disclose them.

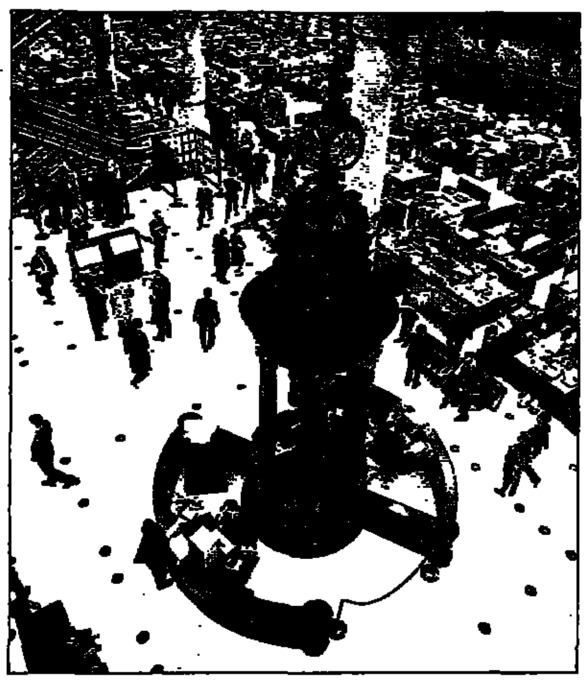
However, a survey of corporate insurance buyers by the Association of Insurance and Risk Managers this month showed fewer than 4 per cent understood the nature of the payments to brokers by underwriters.

J&H Marsh & McLennan, which recently revealed 5 per cent of its broking revenue did not come from the client, says it is "more than happy" to discuss remuneration with customers.

He says brokers have invested heavily in technology that has benefited underwriters by increasing efficiency. Such payments had been made to brokers for many years. "If we've reduced the underwriter's costs, we want a share of that. The client shouldn't be paying for technology that's universal to the industry."

Mr Gatewood says dealings with underwriters are kept separate from those with customers. The extra remuneration does not relate to individual customers.

Several big underwriters at Lloyd's dismissed the concerns. "We've always paid brokers brokerage and we'll continue to," says John Charman, a leading marine insurance underwriter and chief executive of Charman Underwriting.



The atrium of Lloyd's of London Trevor Humphries

BT asks rivals on corporate pricing proposals

By Alan Cane

British Telecommunications has taken the unprecedented step of seeking the approval of its principal competitors and biggest customers before introducing an innovative package of price discounts and services.

If the package, called Corporate Advance and set for launch on July 1, is accepted, BT's ability to "tailor" offerings to the needs of customers spending at least £5m ($8.4m) annually with the company would be significantly increased.

It would represent a small but significant victory in BT's campaign to secure greater freedom from regulatory constraints in dealing with the large customers that provide the bulk of its revenues and profits.

Competitors, including Cable and Wireless Communications, the second largest UK communications group, Energis, WorldCom and Colt, are evaluating BT's proposals and were not prepared to comment. Some are clearly concerned, however, that although the changes BT is proposing seem innocuous, they could represent the thin end of a wedge through which BT would seek greater freedoms, which could prove detrimental to fair competition.

In a letter sent to customers in March, BT said: "Our vision is to move towards greater pricing flexibility for large customers because only when all suppliers, including BT, offer flexible types of pricing can there be said to be full competition in the UK. Corporate Advance represents a small but important first step towards pricing flexibility."

Under current regulations, BT, as the UK's dominant operator, is forbidden to tailor packages of products, services and prices to specific customers because of fears that it could exploit its ubiquitous position and shut its rivals out of particular markets. It is also forbidden to gross up a company's total spend for discount purposes. Its competitors have these freedoms.

Corporate Advance will offer a 1 per cent discount to business customers spending a total of £5m with the company, which rises by 0.5 per cent for each additional £5m to a maximum of 4 per cent.

Oftel, the telecoms regulator, said it had been trying to persuade companies to get the best possible deal from BT and was monitoring responses to the scheme.

NEWS DIGEST

TECHNOLOGY

Information service will target financial analysis

Portfolio managers may no longer have to spend a morning trying to stop an unwanted currency report from jamming the fax machine, or ploughing through torrents of brokers' reports for one memo on the UK food packaging sector. Thomson Financial Services, the US financial information services group, has joined forces with former senior directors of Union Bank of Switzerland to develop a service which will help banks and brokers to target their research material and provide clients with tailored research. The group is believed to have made an initial investment of about $10m in the system, which will enable research departments to reduce production and distribution costs for research products by up to £1m ($1.67m) a year. Using Web technology, it aims to target and track client product and distribution needs via mail, courier, the internet or other electronic services, improving the flow of research from analyst to client. **Emiko Terazono**

INWARD INVESTMENT

Warning on Wales and Scotland

Wales could miss out on 70,000 new jobs over the next 10 years and Scotland 30,000 if direct investment in the UK by Japan and other south-east Asian economies dries up, according to preliminary results of an investigation into inward investment by Business Strategies, the London-based forecasting group. Melanie Lansbury, senior economist, said: "This projection is a worst case scenario. But already we are seeing a number of big investments being postponed – like Hyundai in Scotland, Samsung in the northern region and the LG semiconductor plant in Wales. Investment flows from the Far East economies have all but stopped. The question is: will they start up again?" **Brian Groom**

UNION RECOGNITION

TUC compromise expected

An effort to reach a compromise settlement over the controversial issue of trade union recognition can be expected after today's emergency meeting of the Trades Union Congress general council. John Monks, the TUC general secretary, will be seeking some latitude in his final bargaining position with the government over the proposed legislation. Union leaders remain committed to the introduction of a law enabling workers to have representation from a union recognised by their employer.But the TUC may be ready to drop its commitment that only a simple majority of those voting in any secret ballot would be needed to win recognition in all circumstances. **Robert Taylor**

EMPLOYMENT

Airline to create 15,000 jobs

British Airways is to create 15,000 jobs in the next three years. The airline said yesterday that 7,000 of the jobs would be filled over the next 12 months on the back of growing business at Gatwick and Heathrow airports. Most of the jobs, which would be based at the UK's two main airports, will be full-time and for people aged 16 and upwards.

UK ECONOMY PERFORMANCE IN THE SPOTLIGHT AS CLUTCH OF IMPORTANT STATISTICS AWAITS PUBLICATION

Week of data set to focus on pace of growth

By Richard Adams in London

A clutch of important economic data to be released during this week is expected to give a strong indication of the direction in which the UK economy is moving.

An unusual combination of timing means an important piece of economic news will be released each day, beginning with this morning's publication of the government's public sector borrowing requirement for the last financial year.

The two most important pieces of data will be the labour market figures released on Wednesday, and Friday's first estimate of economic growth during the first quarter of this year.

The figures are published at a time of doubt over the pace and direction of the UK economy. Manufacturing and industrial output has been hit by the appreciation of the pound in the past 18 months. This has made exports more expensive and imported goods cheaper, reducing sales and profit margins for UK companies.

But the service sector – less influenced by currency movements – has shown only a few signs of slowing down, leading some to expect growth during the first three months of this year may have continued to be as strong as last year.

In the fourth quarter of 1997, the economy grew 0.6 per cent compared with the previous quarter – slower than growth during the second and third quarters. But the annual rate of growth of 2.9 per cent in the fourth quarter was still above long-term gross domestic product growth of about 2.25 per cent.

If the first quarter repeats the previous quarter's 0.6 per cent increase, the annual rate will rise to 3 per cent – possibly enough to set off alarm bells in the City. A speeding economy may tip the balance towards those in favour of raising interest rates on the Bank of England's monetary policy committee.

Analysts will be wary of making too much from growth figures that are often revised. Last quarter's GDP figure was first published as 0.5 per cent, then revised down to 0.4 per cent, before finally being revised up to 0.6 per cent. "The markets may treat this first stab with a degree of scepticism," said Jonathon Loynes, UK economist at HSBC, which is forecasting 0.6 per cent growth by factor cost.

The MPC may be more concerned about labour market statistics on Wednesday when the Office for National Statistics unveils its new monthly measurement of unemployment.

The ONS will publish the on-going results of its Labour Force Survey. The first effect may increase the headline rate of unemployment: the percentage of the workforce seeking employment was 6.6 per cent in the last survey.

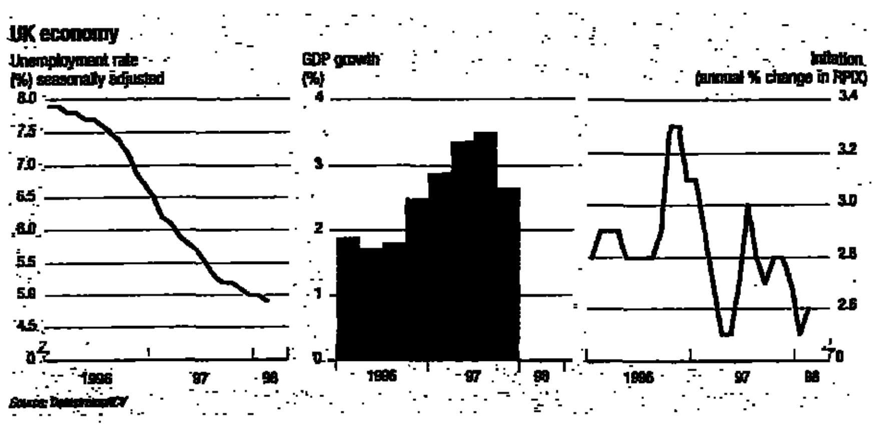
In contrast, just 4.9 per cent were out of work and claiming unemployment benefits in February.

The MPC remains concerned that unemployment is at or below its non-inflationary "natural" rate. If so, then those in work may demand higher wages.

The MPC said in its most recently published minutes: "The committee agreed that the development of the labour market data over the next few months would be especially important to assessing the position of the economy and the inflation outlook." A sudden rise in average earnings, and the MPC may feel the need to again raise interest rates.

The committee will get an idea of the rate of inflation when the Retail Price Index for March is published tomorrow. Most forecasts are for the annual underlying rate to stay unchanged at 2.6 per cent.

The strength of retail spending is a concern to the Treasury, which is forecasting annual growth of between 3.75 per cent and 4 per cent this year. March's sales figures, released on Thursday, may be distorted by the timing of Easter.



Structure of UK economy 'may hinder Emu entry'

By Richard Adams

The UK may have to wait 15 years before being ready to join the European single currency, the Treasury select committee has been told by an economics think-tank.

A report presented to the select committee by the Centre for Economics and Business Research said the financially-based structure of the UK economy presents fundamental problems in signing up for European economic and monetary union (Emu).

Professor Douglas McWilliams, chief executive of the CEBR and the report's author, said the UK economy is much more reliant on financial markets and private sector borrowing. "It makes it very difficult to have the same financial policy compared with continental Europe," he said.

One example was in the housing market. "If UK interest rates were to fall to the same rate as in Germany now, the traffic would be stopped by the queues of people outside banks and building societies wanting to take out bigger mortgages," said Prof McWilliams.

The report said changes such as increasing stamp duty and council tax might reduce the costs to the UK of joining the single currency. The government has said it is in favour of the principle of joining Emu, but only if a series of economic conditions are satisfied.

The CEBR says the UK's economy is far from converging with other members of the single currency. "This is not simply a matter of a temporarily different cyclical position but of a much more deep-rooted difference in economic structure an cultural attitudes between the UK and continental Europe."

If the UK were to join now, its interest rates would have to be reduced by around four percentage points by the end of this year. The effect of inappropriate monetary policy might eventually knock 2 per cent off output, a loss of around £16bn annually.

But the report warns that staying out of Emu will also hurt the UK. Remaining out of the euro-zone means UK businesses would not participate in the resulting economic restructuring. The loss to UK exports and inward investment might be £8bn, or 1 per cent of GDP, by 2005.

Yesterday Adair Turner, director-general of the Confederation of British Industry, said he thought the UK would soon have to address the issue of joining the euro.

Mr Turner said: "I think once economic and monetary union is launched, or even perhaps later this year, we will have to return to the debate in Britain about whether we should set a definite time." A debate about joining might help bring down the level of sterling to a "more sensible and sustainable level".

The Implications for the UK of Staying Out of the Euro Zone. CEBR, 9-12 Basinghall St, London EC2V 5NS. 0171 600 6661.

INSIDE TRACK

PROFILE HEINRICH VON PIERER, CHIEF EXECUTIVE, SIEMENS

A strategist who has everything to play for

Stefan Wagstyl and **Graham Bowley** on the engineering group boss who believes expansion is good for both workers and shareholders

Heinrich von Pierer, chief executive of Siemens, the electrical engineering group, still believes in one of the oldest principles of German management: that there is no contradiction between the interests of workers and shareholders.

"Only a profitable company can secure jobs," says Mr von Pierer. "Only well-motivated people can earn good profits. These are two sides of the same coin."

But, as he is the first to admit, he is finding it difficult to put this philosophy into practice in the competitive business environment of the 1990s. He often finds himself appearing on the political pages of German newspapers defending the company from workers' criticism while at the same time being quoted on the financial pages explaining the same decisions in terms shareholders will understand. Not for nothing has he earned a reputation as a conciliator and Chancellor Helmut Kohl's favourite manager.

Mr von Pierer, a tall, athletic man who plays tennis "to win", dismisses suggestions that Siemens is reacting too slowly to the fast-moving shifts in the global business environment of the 1990s. "This company has changed more in the last three years than it did in the previous 50 years," he retorts, rattling off figures to back his claims.

He describes the changes he has pushed through Siemens' sprawling empire since taking office in 1992; he has sold businesses with a combined turnover of DM7.5bn ($4.1bn) and acquired others with total sales of DM13bn. And "this is not the end of the story".

He has closed more than 30 smaller operations and reduced the Siemens workforce by 60,000 to 386,000, strikes and demonstrations notwithstanding. Moreover, many of the cuts have come in Germany, where business leaders are under political pressure not to upset the economic and social order.

But Mr von Pierer knows he has some way to go before he can claim victory.

Satisfying workers and shareholders is hard enough but even more urgent is the need to respond to global competition. Without more profit the company will be unable to finance its international expansion fast enough to keep up with rivals. Mr von Pierer insists that, in spite of recent setbacks such as the economic crisis in east Asia, he aims to meet his self-imposed target of return on capital of 15 per cent by 2000. This compares with less than 10 per cent in the year to last September.

'Only a profitable company can secure jobs . . . Only well-motivated people can earn good profits. These are two sides of the same coin'

Investors are impatient. Although Siemens' share price has doubled in the past five years, it has fallen by nearly 40 per cent against the German market. Swantje Conrad, analyst at J.P. Morgan, the US bank, in London, wants to see more action. "There is currently no evidence that Siemens is actively considering a radical refocusing of the company. There is a significant risk that the degree of restructuring may not go as far as many investors want."

Another analyst says: "We just doubt Siemens management can really prioritise time and allocation of capital among the different groups. If it were split up then management could focus better."

The core of Mr von Pierer's strategy remains the belief that the Siemens group, with its 16 divisions, is more than the sum of its parts. He does not believe, that the company should, as some analysts have proposed, spin off parts, such as the medical equipment operations, that have required extensive restructuring in recent years. "I believe in the synergies of the group," he says.

Siemens executives argue that, although the group is often seen as a conglomerate, almost all businesses are in electrics or electronics. Moreover, in infrastructure-related equipment, which accounts for a big part of turnover, sales in one division often lead to sales in another, particularly in developing countries. "This is a real strength for us," says Mr von Pierer.

Mr von Pierer concedes that in the past Siemens has dissipated its strength by spreading itself too thinly. That is the reason for his recent disposals. The company's divisions must be "market leaders", he says, occupying first, second or third place in global markets. Already companies accounting for two-thirds of the group's DM107bn turnover are in such positions. The aim is to raise the proportion to 80 per cent within three years.

Successful divisions are being bolstered by investment and acquisition. In semiconductors, Siemens has spent DM2.8bn on two new chip plants in the UK and the US (the second a joint venture with Motorola). In medical equipment it has backed the development of new forms of ultrasound equipment. In building automation, it has turned a business struggling for market share into a world leader by the DM3bn acquisition of the industrial activities of Switzerland's Elektrowatt. In power generation, it beat powerful rivals in the race to buy, for $1.5bn, the generation unit of Westinghouse of the US.

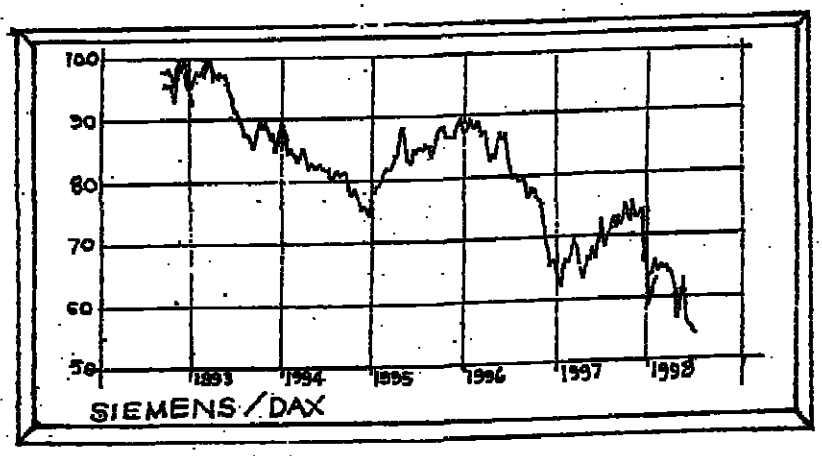
At the same time, Mr von Pierer is trying to reduce Siemens' dependence on Germany, which the company's critics have long seen as a weakness. In the next few years, he wants to reduce Germany's share in group turnover from 35 per cent to 25 per cent. Western Europe as a whole should fall from 65 per cent to 50 per cent, with expansion coming mainly in North and South America, as well as Asia.

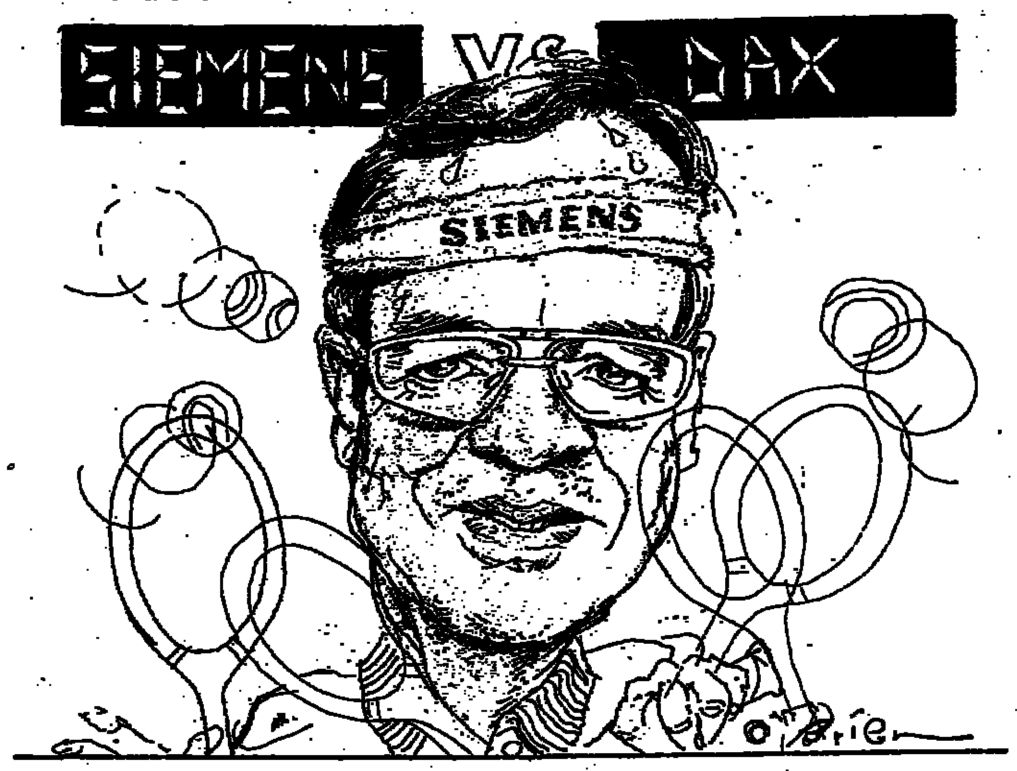
Mr von Pierer believes Siemens is more adventurous geographically than its critics recognise. He is irritated by negative comparisons with ABB, the Swiss-Swedish engineering group, which is often seen as a model of a globalised multinational. "We have more people in Asia than ABB," he says. In Russia the group operates from more locations than any other western company except Coca-Cola.

A crucial challenge is retaining the confidence of the group's German workers, after heavy job losses. No further big reductions are planned, but over the next five years "the tendency will be for further decline", Mr von Pierer says.

The company is also reducing the costs of those it retains, introducing flexible working patterns. With nationwide concern about unemployment, Mr von Pierer finds trade unions more willing to accept plant-by-plant deals. Siemens has recently won from IG Metall, the metalworkers' union, an agreement for flexible working that will reduce costs by up to one-fifth.

He insists the expansion of overseas production should not be seen as a threat to German jobs. Factory posts in China, India, Russia and elsewhere create software engineering posts in Germany, he says. Thus, in Mr von Pierer's view, globalisation is as good for workers as it is for shareholders. The demands of the two sides of industry can be balanced.





THE ESSENTIAL GUIDE TO HEINRICH VON PIERER

Life: Born in Erlangen, Bavaria, January 1941. Studied law and economics in Nuremberg and Erlangen. Joined Siemens' legal department directly after university in 1969. By 1977, he was working in Siemens' power plant division. In 1989, became a member of the main Siemens board. Appointed chief executive in 1992. Training as a lawyer and an economist makes him unusual in a business where the engineer dominates. The first non-technician to head Siemens.
Reputation: A man with a formidable contacts book. An establishment figure. Has a reputation as German politicians' favourite manager, close to Chancellor Helmut Kohl, and a regular tennis partner of Gerhard Schröder, Mr Kohl's challenger in the autumn national elections. A conciliator, like Mr Kohl, in the tradition of Germany's consensus system. A family man (he has three children). Dabbled in politics: many years as local politician in Erlangen for the CSU and in 1976 stood (unsuccessfully) for German national parliament.
Hobbies: Tennis (was Bavarian youth champion). Boasts that he has never lost a match – although colleagues doubt this is true – even when important customers are on the other side of the net. Skis in Austria, hikes in Switzerland. Occasional visitor to Mr Kohl's holiday retreat.
Favourite food: Vanilla ice cream.
Way of doing business: "Very customer-orientated. Whenever asked to give a talk, always asks which customers will be there to listen," says one colleague. Known as thorough and disciplined. "Like a terrier. He gets things done." But, less kindly, he is criticised for not making radical changes at Siemens (job cuts) because of his friendship with Mr Kohl. Jack Welch famously described Siemens as an employment agency.

LUCY KELLAWAY

The consultant's tale

A new branch of management training uses the power of storytelling in an effort to improve communication

Once upon a time there was a management consultant. He was a man of talent, with a genius for making companies part with their money. He had a friend, whom he loved dearly: Yet his friend was not happy. He wanted to be a famous writer, but so far had met with nothing but failure.

"Nobody will publish my stories. What shall I do?" he wailed.

"Don't worry", said the consultant. "My clients will buy anything. I'm sure they'll love your stories."

"But your clients are big businesses. What will they want with my ramblings?"

"Leave it to me," said the consultant.

I have written this story to share some exciting news: a brand new branch of management training is born. Today and tomorrow a group of business people will gather in a hotel in Bedford (having each paid £600) for a conference called The Power of Story in Organisations.

They will learn how to tell stories. They will find out how The Body Shop is using stories to make its communications more human. They will learn how stories can help them dream up great visions. They will learn about "the ancient and archetypal wisdom of the story, which can act to bring soul and spirit to impoverished organisational lives".

It strikes me that companies know more than enough about stories already. Think about your average internal memo explaining redundancies or the chairman's statement that accompanies a big drop in earnings. I would agree that organisational lives tend to be impoverished, but that has less to do with ancient wisdom than with the fact that work is dull and colleagues moan all day.

* * *

"What motivated you to read the report in the first place?" asks the questionnaire at the back of the 90-page Partnership Report put out last week by the Co-operative Bank. My motivation was not exactly generous. It was to confirm that this audit of the Co-op's ethics was yet another case of moral one-upmanship from the Goody-Goody Bank.

The front cover of the report is predictably pc: an identikit picture made up mainly of the old, the female and the ethnic. On the back is the news that no trees had been felled to bring us the report: apparently it was printed on 100 per cent recycled paper from post consumer waste (whatever that might be) using a totally chlorine-free process.

But inside these covers I found more to admire than to mock. For years the bank has elected to make morality its unique selling point: this report is an attempt to measure how much it lives up to its fine words. There is information about how much it pays its workers, how many ethnic minority people it employs, who it declines to lend money to, and much, much else besides. Not everything is positive: the Co-op did not recycle one single tin can last year, whereas NatWest recycled loads.

I could not be less interested in how much recycling the Co-op bank does. Indeed, it is possible that by expending so much effort on trivial details they are distracting attention from issues that really matter. Yet the Co-op and its "partners" apparently care about tin cans; the report contains a commitment to more recycling in future.

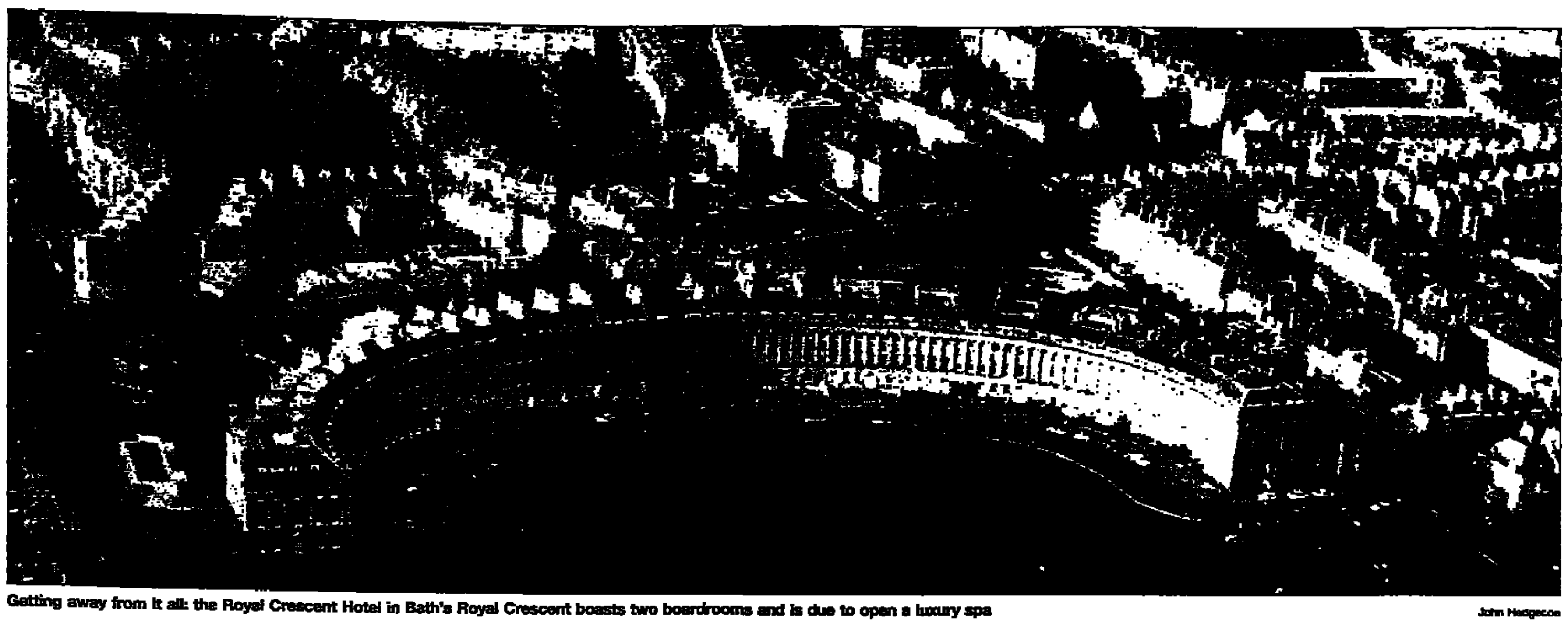
A world in which everyone made as much fuss as the Co-op, about how good they are, might be a tiresome place to live in. Yet it would be nice if others followed the bank in giving us a few facts to back up the moral claims they make – for instance, people being their most valuable asset – rather than relying on the ancient and archetypal craft of the story.

* * *

As I waited for a tube last week to take me to work I found myself face-to-face with Nicola Horlick. Not the real thing, but a giant mug shot on a poster advertising Société Générale's fund management arm. The text said that if you put your money with Nicola and her team you would get a First Class Return, which I assume was a clever pun.

This must be a first: advertising financial services on the basis of the personalities of the fund managers. The norm is to scrabble around to find a performance measurement that shows the fund in question to have done better than some index, with the result that all fund management advertisements are boring, and all look the same. SocGen's competitors face the problem that there is only one personality in fund management that anyone has heard of, and her name is Nicola Horlick. But they should not despair. Growing their own personalities is easy. The critical ingredients are a senior woman, a tantrum, more press interviews than hot dinners, and a book telling us all about her.

It doesn't matter how skilful she is at beating the market: what Horlick is really good at is getting new business. This makes the advertisements on the tube somewhat circular: you should give your money to her because she is good at getting your money.



Getting away from it all: the Royal Crescent Hotel in Bath's Royal Crescent boasts two boardrooms and is due to open a luxury spa John Hedgecoe

BUSINESS TRAVEL CONFERENCE VENUES

A lucrative meeting of minds

Upmarket hotels are increasingly willing to turn over their entire premises to companies – for a price. **Kate Bevan** reports

Cliveden, the Astors' country seat in Buckinghamshire turned upmarket hotel, will always be remembered as the setting for the Profumo affair of the early 1960s. John Profumo, the then war minister, partied by the pool with Christine Keeler, who was simultaneously having an affair with a Soviet attaché, thus compromising western security and leading to Profumo's downfall.

They met through Stephen Ward, an osteopath who rented a cottage on the Cliveden estate from the late Lord Astor. From next month, that cottage will be available to those organising meetings of a rather different nature.

"We don't play it up, but at the same time, we don't play it down, either," says Stuart Johnson, Cliveden general manager. The renovated Spring Cottage will have two bedrooms and a spectacular meeting room under a gothic domed ceiling, and is the latest move by English hotels eager to grab a slice of the lucrative conference business.

Getting away from the hassles of the office to hold a meeting is increasingly popular. According to a survey by the UK's Meetings Industry Association, 49 per cent of business meetings and conferences are held in country house hotels. The result is that many properties are turning their attention to this sector of the market by upgrading technical facilities and vying to offer the best deals and extras.

For example, the Royal Crescent in Bath, sister hotel to Cliveden, boasts two "boardrooms", for between 10 and 100 delegates, equipped with slide projection and large-screen video screens, dedicated telephone and modem lines and computer presentation facilities. Cliveden offers the same level of technology in its two boardrooms, while the Lygon Arms, a 16th-century inn in the Cotswolds, competes on the same level with meeting rooms for up to 80 conference-goers.

As getting away from it all is the object, many also have exclusive meeting space in separate buildings: Rowhill Grange, a country house hotel on the green Kent outskirts of London, offers its Clockhouse Suite, a self-contained facility converted from an old stable block with its own kitchen, bar, and conference room.

None of this comes cheap. The 24-hour delegate rate at Cliveden is £245, plus VAT, which includes use of the meeting room, a bedroom, meals and use of the leisure facilities; while at the Lygon Arms, a similar package is £185 plus VAT.

Yet particularly for high-level meetings, companies are prepared to pay up, according to Richard Pavitt, a conference and meetings consultant. "They need an atmosphere that stimulates objectives and they choose a place that will help them achieve that," he says.

Some hotels will go even further and turn over the entire property for a meeting. Exclusive use does have logistical problems: "I'm so busy I couldn't guarantee exclusive use of my 30 bedrooms in the near future," says Nigel Young, general manager of Rowhill Grange.

Yet other properties such as the Royal Crescent and Cliveden are happy to devote all their facilities to one group.

At the Royal Crescent, a company can have the run of the 45-bedroom hotel, including the separate Pavilion suite – "companies put the chairman here," remarks general manager Ross Stevenson – for an overnight rate of £16,440 for double occupancy of the rooms, plus an agreed daily spend on food and drink.

Other properties go further still and operate solely as an exclusive-use venue.

Christine Keeler: frequent guest at Cliveden

The Samling at Dovenest is a private house set 300ft above Windermere in the Lake District, offering 10 bedrooms, conference rooms with all the expected high-tech gadgetry and most importantly, a quiet and comfortable place to think important thoughts.

The Samling – the name is an Old Cumbrian word meaning "a place to gather" – is the brainchild of Roger McKechnie, the man who came up with Phileas Fogg snacks. With a large cheque in his pocket from the sale of his company to United Biscuits, he noticed the house while sailing on the lake, and spotted its potential as a venue for private meetings.

Hever Castle in Kent, best-known as the childhood home of Henry VIII's second queen, Anne Boleyn, also offers exclusive use. The rather unfortunately named "Tudor Village" may conjure up images of a theme park, but the facilities – at a 24-hour delegate rate of £210 plus VAT – regularly attract international blue-chip oil, utility and chemicals companies. Robert Allton, Tudor Village manager, says the venue hosts about 200 events a year, of which 80 per cent are corporate, ranging from a small lunch to a four- or five-day meeting. Hever Castle can manage up to 70 delegates at a non-residential meeting, and has 20 bedrooms for up to 36 people for an overnight event. "We've been doing it for 12 years, but I think it's more focused now," says Mr Allton. It's switched away from being a 'jolly' in the past five or six years."

Mr Allton says one thing in particular has changed: "There are fewer events that include partners." However, hotels lay on a wide range of extras to keep partners happy. The Royal Crescent has a hot-air balloon and is due to open a luxury spa. Cliveden has two riverboats which will take partners on shopping trips to Marlow – "Bond Street on Thames", as general manager Stuart Johnson calls it – and a purpose-built spa next to the swimming pool. Rowhill Grange also has an on-site spa with beauty treatments, saunas, therapy and swimming pools; while the Lygon Arms has similar spa facilities as well as golf, fishing, and helicopter flights. With frills like that, getting away from the office for a meeting could become even more popular.

TRAVEL UPDATE

Business jet passengers to tune in on board

Live television will soon be available on business jets. Passengers flying over the US will be able to tune into channels including CNN, Bloomberg Television and ESPN Sports.

Kansas-based aircraft manufacturer Cessna will install the relevant technology this month on a Citation X jet due for delivery in October. Two aircraft already in operation have been equipped. Pictures will be picked up by a satellite dish on board. Programming will be provided by DIRECTV, the digital satellite television service, which has also been conducting trials with Delta, the US airline. It is hoped that broadcasts will also be available on flights over Latin America, Europe and Asia.

Delegates told to eat in and pay up

Delegates at UK conferences are being pressed into dining at their hotels because hoteliers are refusing to cut rates for those who eat out. Penny Thomas, of conference reservations specialist Banks Sadler, says: "They are either saying they won't knock anything off at all or only allowing delegates £5 or £10, which hardly covers the price of eating at an outside restaurant." She reckons 40-50 per cent of hoteliers are resorting to such tactics, reflecting the current heavy demand for facilities, which is also prompting a growing number to insist delegates pay the full room rates.

Tickets bought in UK rise 3%

The price of a business class air ticket bought in the UK rose more rapidly in the first three months of this year than anywhere else in Europe, says American Express in its latest quarterly review of travel costs. The price rose 3 per cent on average, taking the increase over two years to 21 per cent.

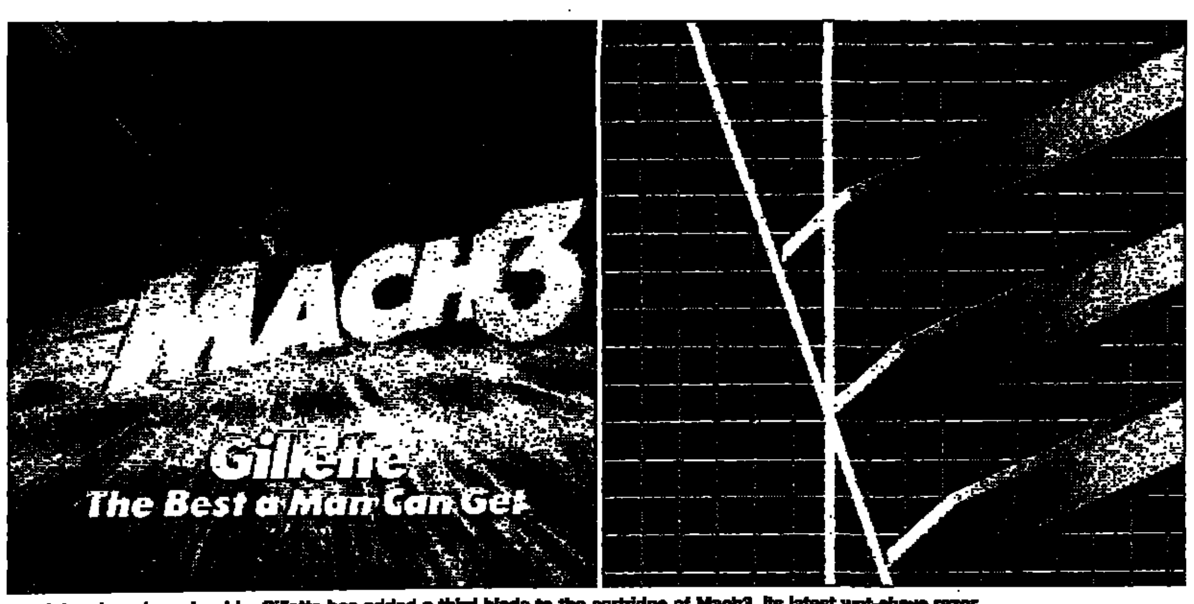
On flights from the UK to North America, Asia and Australia the picture is even more bleak, with a two-year jump of 25 per cent. American Express blames heavy demand and stretched airport capacity. But on routes from the UK to western Europe, where airlines face intensified competition, the average increase was only 12 per cent over two years. Economy and discount leisure fares have hardly moved during that period. German and French business travellers have fared much better. They paid 2 per cent more to fly business class in the first quarter – respectively 9 per cent and 11 per cent more than two years ago.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	21	23	23	24	25
Hong Kong	30	29	31	30	30
London	14	17	18	18	18
Frankfurt	15	15	17	17	17
New York	17	15	15	17	18
Los Angeles	25	29	24	21	21
Milan	17	19	21	21	21
Paris	14	15	17	18	18
Zurich	15	12	15	17	18

Information supplied by PA WeatherCentre Maximum temperatures in Celsius



Loud, brash and unmissable: Gillette has added a third blade to the cartridge of Mach3, its latest wet-shave razor

MARKETING NEW PRODUCT LAUNCHES

At the cutting edge

Innovation and marketing are the key to success for Gillette and its latest razor reflects this formula, says **John Willman**

In the world of fast-moving consumer goods, innovation has long been recognised as one way of staying ahead of competitors. Another is marketing. Gillette, the US company that dominates the global shaving products market, attempts to combine both.

Last week it announced Mach3, its latest wet-shave razor, which it expects will capture more than a quarter of the market with claims of a closer shave with less skin irritation.

The Boston-based company has invested more than $1bn (£600m) in the new product, including a $300m advertising budget for the first year alone.

In return, it hopes to persuade shavers to pay one-third more for their product to maintain double-digit earnings growth.

"The higher price is justified by the performance increment and makes it compatible with Gillette's financial goals," says John Darman, the company's vice-president of male shaving.

Gillette has launched a razor about every nine years since it introduced the first twin-blade razor, Trac II, in 1971. In 1977 the Atra added a pivoting head and in 1990 the Sensor's spring-mounted blades promised an even closer shave. The Sensor later added rubber microfins to stretch the skin taut.

Sensor produced sales of $6bn worldwide, selling almost 400m razors and more than 8bn blades. It has helped Gillette establish dominance over the wet-shave market in North America and western Europe, with 70 per cent of sales.

Mach3 adds a third blade to the cartridge, and 35 other features and elements. These include a diamond-like carbon coating on the blades which makes them thinner, and a lubricating strip which deposits vitamin E on the skin and changes colour when empty to remind the shaver to replace the cartridge.

"Each of these is protected by patents, making it next to impossible for competitors to copy," says Bob King, head of the company's North Atlantic group, which covers the US and western Europe.

Gillette has installed a production line to reduce unit costs on its more complex new product. Using advanced robotics, it makes the cartridges in a continuous process similar to that used in bottling soft drinks.

With no stopping and starting, 10 cartridges are made every second, each checked by computer. Output will be 600m a year from the Boston plant, which will double to 1.2bn when production begins at Gillette's Berlin factory. This will allow Mach3 to be launched in more than 100 markets by the end of next year – a roll-out that took more than four years with Sensor.

The company expects Mach3 to attract millions of new users from competitors. But three-quarters of those who buy this latest product will already be Gillette customers – including people using the company's disposable razors.

Pre-launch market research, says the company, shows consumers are willing to pay the $6.50-$7 price (about £4) for a razor and two cartridges.

Unlike most other makers of consumer products, Gillette does not withdraw older products when it introduces the latest generation.

"We're still selling brands that are 25 and 18 years old," says Mr Darman. "Mach3 will soon be number one in every market, with a 20-30 per cent share. But Sensor will be the second biggest brand by a large margin."

This approach recognises that many consumers are unwilling to trade up every time Gillette improves the technology. An increasing number of men are described by the company as "high interest users", spending an average of £75 a year on shaving tackle; gels and after-shave lotions.

But the typical "low interest user", with a pack of disposables and a can of own-label shaving foam, has to be persuaded to raise his annual spending of £16.71.

Maintaining older generation equipment also allows the company to lead on different technologies in different markets. On the marketing side, however, the same campaign will be rolled out worldwide.

Devised by advertising agency BBDO, it offers a package of television, radio, print and poster advertisements that all play on the supersonic theme in the Mach3 name. Loud, brash and unmissable, it hammers home the message that the new product breaks through the performance barrier with three sonic booms in the soundtrack.

Gillette says it is also looking at the female shaver. In 1992, it introduced Sensor for Women with a different handle. It would not say last week when its female customers would get a third blade, but promised a new product in due course.

And for the men, work is already under way on the next generation razor. The company aims to maintain its dominance by continuing an innovation strategy that has largely excluded the own-label producers and cut-price copycats that have been so successful in most similar product markets.

TIM JACKSON
ON THE WEB

Flying start for ticket bids

PriceLine is spending $20m to publicise its business, matching unsold airline seats with customers keen on a cheap fare

Not many internet start-ups can boast that their first month's advertising budget is $20m (£12m). But PriceLine, the "buyer-driven commerce" business launched in Connecticut last Monday, is no ordinary startup.

PriceLine invites air travellers to say where they want to go and when, and to make a binding "bid" on an air ticket using a credit card. This bid is checked against PriceLine's database, where airlines record what seats they are willing to offer at what prices. If there is a match, PriceLine notifies the customer within an hour that the ticket has been "won".

This may sound similar to the online auctions covered in this column over the past three years. In fact, a story in the business section of the New York Times last week lumped PriceLine in with other auctions. (I should declare an interest here in a European online auction business.)

But PriceLine is different. Instead of operating in a segment ripe for consolidation, such as computer brokerage, PriceLine has chosen an industry where selling the same product to different customers at different prices is already an established principle.

Thanks to computerised reservation systems (CRSs), the average flight across the Atlantic will carry passengers paying 20 or more different prices. So why can't the airlines implement such a system themselves? Jay Walker, founder of PriceLine, offers several reasons. One is that attempts by US airlines at price discrimination remain crude. "Even at a time of all-time high profitability they're still flying with 30 per cent of their capacity unsold. That's 600,000 empty seats a day," says Mr Walker. Another reason is that most CRSs are dominated by a single carrier or pair of carriers, and are tied firmly into the travel agency distribution system.

By using only the basic database infrastructure and establishing itself as a rival distribution channel, PriceLine saves airlines an average of $3 per flight or "leg" of a journey in CRS charges and up to 10 per cent of ticket price in agency fees.

Mr Walker, who founded the company two years ago, says it took a year to get airlines to sign up. The biggest obstacle was their worry that the bidding system would lead to cannibalisation of higher fares. The industry's standard price discrimination separates leisure from business travellers by requiring 21 days' advance booking for cheap tickets.

The airline and CRS executives that Mr Walker brought in as consultants and non-executive directors solved the problem by crafting a package to satisfy the airlines' concerns. Customers can make only one bid for a given route on a given day – and PriceLine can enforce this rule by rejecting repeat bids from the same credit card, address or passenger names.

To make it even harder to find out each airline's bottom price, PriceLine allocates seat sales in rotation between airlines on a given route, so that the next successful bidder is likely to travel on a different airline with a different stopover. This prevents a family probing for the best price, member by member.

PriceLine tickets are heavily restricted. There are no refunds (except the standard discretionary waivers such as death in the family); no frequent flyer miles; and no choice of routing or airline, though PriceLine promises not to fly you more than 25 per cent further than the shortest direct flight. These limits help to reassure airlines that buyers of low-cost tickets are truly open to any carrier, and not merely their own loyal customers paying less.

Because buyers get only one bite, PriceLine can also operate a 1-800 phone service that would be uneconomic for an online service allowing repeat bids. As a result, it has positioned itself as a mass consumer service, and it advertises in the mainstream media. (Mr Walker says the company will be America's biggest radio advertiser this month.)

The company's $20m first-month spend on advertising is evidence of strong stomachs among PriceLine's backers. The company has raised a total of $25m from a handful of individuals. It already has 100 employees, based in Stamford, Connecticut.

The company claims to have signed up five of the eight largest domestic US airlines, and says it has 100,000 seats available every day. Mr Walker says the web site, *www.priceline.com*, received one million individual visits during its first week. However, he will not be drawn on ticket sales so far or indicative prices.

According to Mr Walker, air tickets are just the first of many services that PriceLine will offer. Its next venture, due for launch in the summer, will be a bidding system for new cars.

The air ticket service is a great start. Although it falls short of a fully-fledged "bazaar of the future", it will introduce more subtle price discrimination into the marketplace. My guess is that it will also lead to the end of the artificial distinction between business and leisure travellers. Today, companies choose to hold some meetings by phone or videoconference to cut the cost of air travel. Tomorrow, less important meetings may still be face to face – they will just be reached by roundabout routings and low-cost airlines.

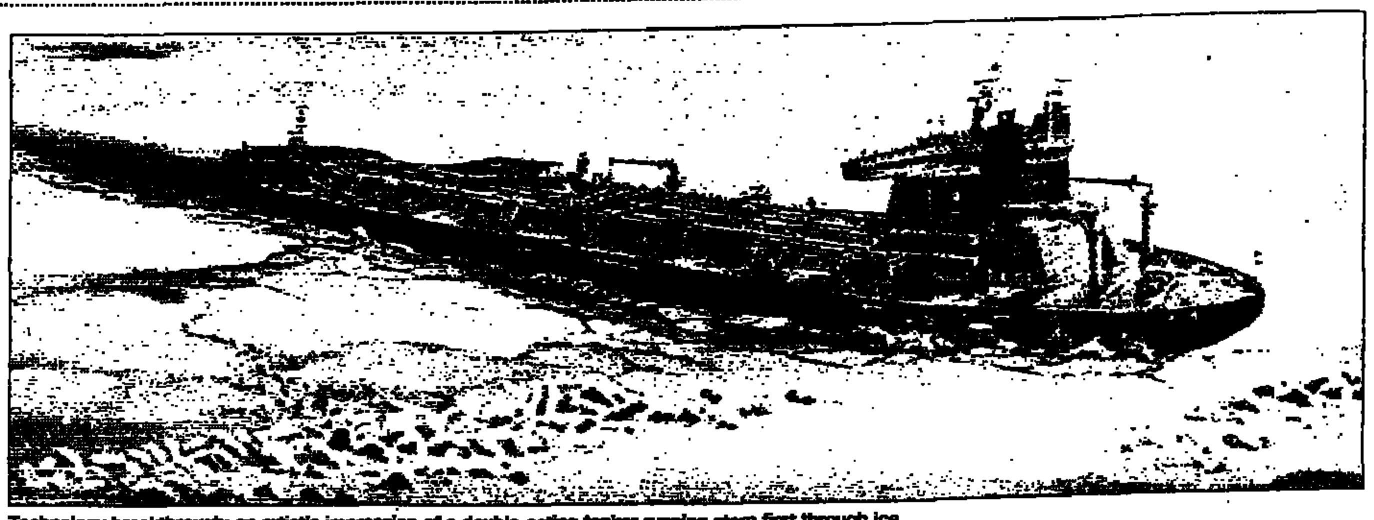
tim.jackson@pobox.com

INSIDE TRACK

TECHNOLOGY SHIPS

Keeping open the winter channels of communication

Andrew Baxter on how Finland is finding new ways of conquering an inhospitable climate


Technology breakthrough: an artist's impression of a double-acting tanker running stern first through ice

Wintry weather has made a late return to much of Europe in the past few days, but in northern Finland it never left – and will not for a few weeks yet.

The furthest reaches of the Gulf of Bothnia, which separates Finland and Sweden, are still icebound, and for anyone who has not travelled across a frozen sea, it is an eerie experience. At first the environment seems friendly enough as the icebreaker Urho passes scattered inshore islets west of Oulu. You can wave to fishermen, their cars and vans parked on the frozen surface.

But as the weather closes in and the icebreaker moves into open sea and thicker ice, this temporary terrain appears increasingly threatening. The only sign of human activity is the path of a previous icebreaker, which stretches out in front.

As the Urho's bows crash into the ice, deep cracks spread outwards from the boat and the container tanker it is towing, briefly revealing water behind the ships before the ice floes reunite. When the temperature drops to minus 20°C in deepest winter, you could walk across the route within 30 minutes of a ship passing.

Finland takes almost masochistic pride in being the only European Union country to be completely icebound every year – apart from one port in the south, Hanko, which is occasionally reprieved. Some of the northern ports are icebound from October to the end of April.

It is crucial for Finland's export-oriented economy that at least some of the 50 ports along its 1,500km coastline are kept open. The northern ports are the gateways for the steel, forestry and other industries built up in the region since the 1970s, due largely to the encouragement of the late president Urho Kekkonen, after whom the icebreaker is named.

Finding new ways to tackle this task is a priority for shipbuilders and suppliers, shipowners and the Finnish Maritime Administration, which spends $25m (£15m) a year on running costs alone to keep 23 ports open during the winter. This year has been "mild" – the last "hard" one was 1986-87 – but even the Urho, whose 22,000 horsepower engines pack the same punch as an average VLCC (very large crude carrier), gets in a fix sometimes.

In mild winters the wind moves the ice more, creating open-sea ridges that can stretch several metres below the surface. Last month the Urho, largest of Finland's eight icebreakers, hit such an obstruction while escorting two tankers. "We came to a halt but the first tanker, which was 1km behind us, could not stop in time and went into us," Captain Raimo Rintala reveals. "There's a small hole in the stern which we will have to repair."

Some ideas for icebreaker design have yet to move beyond the drawing board or laboratory test tank. Normal icebreakers can only cut a path as wide as themselves, so two have to be used together to create a channel for a bigger vessel.

But Göran Wilkman, arctic technology project manager at Kvaerner Masa-Yards (KM-Y) in Helsinki, has developed a patented solution known as the "oblique icebreaker".

Three bow propulsion units, facing different directions, would shuffle the icebreaker forwards and sideways, creating a wider channel and saving money for the shipowner. The concept is in a preliminary stage but tests have gone well.

Other ideas are already in use. Conventional icebreakers are relatively wide, or "beamy", and shallow in the water, so they are little use in open sea, where they tend to roll badly. "The ships rest in port for seven to nine months each year, but we still have to pay some of the wages," says Pekka Väisänen, head of information at the maritime administration.

Finland takes almost masochistic pride in being the only European Union country to be completely icebound every year, apart from one port in the south

In the early 1990s, the administration came up with a solution: the dual purpose icebreaker. It commissioned from Finnyards, the shipbuilder, two vessels with the rear narrower than the front, sharply improving handling in open water. The Fennica and Nordica, delivered in 1993 and 1994 respectively, spend their winters icebreaking in the Gulf of Bothnia and summers doing pipe installation and other work in the North Sea. A third dual-purpose icebreaker, the Botnica, will be delivered this year. It will be the first such vessel to be equipped with a derrick, and a hole in the bottom, for overhauling offshore oilwells.

Another approach is to try to do without icebreakers. The number of ice-strengthened ships is increasing, and some newer tankers and roll-on/roll-off ferries can handle 1.2m of ice unaided. But even these need assistance in harsh conditions.

Most icebreakers have had extra propellers in the bows for a century or so – the increased water flow washes and lubricates the forebody of the ship, and it is easier to break the ice. But tests have shown that the best way to get through the ice would be to have all the power in the bows. And when the going really gets tough for Arctic icebreakers that are fitted only with aft propellers, they turn round and "run astern".

So why not do the same for other ships? Enter the double acting tanker (DAT), which operates normally in open water but turns round quickly to run astern through ice. The concept is the result of development work by KM-Y, and has been tested on two converted tankers, the Uikku and Lunni, which are owned by Nemarc, a joint venture between KM-Y and Neste, the Finnish oil and energy group.

Results have been encouraging. In tests running stern first two years ago, the Lunni got through a 15m ice ridge unaided. No purpose-built DATs exist yet, but KM-Y has developed designs for 40,000 deadweight tonnes (dwt) and 90,000dwt models.

The concept could have implications for exploiting the largely untapped oil and gas reserves of the Barents Sea and the Russian western arctic. Neste wants to use DATs to convey Arctic crude oil, and the concept could provide an alternative to pipelines in some regions, says Juhani Laapio, Neste's vice-president for ship management. KM-Y, Neste and Gazprom, the Russian gas monopoly, have signed a letter of intent for one 90,000dwt DAT vessel, and Mr Laapio says an order could be placed later this year.

All these ideas rely on a rudderless method of propulsion known as azimuthing, introduced 20 years ago on tugs and other vessels needing extra manoeuvrability. The electrically driven propeller is mounted on a shaft that rotates through 360°, so that the unit can face in any direction.

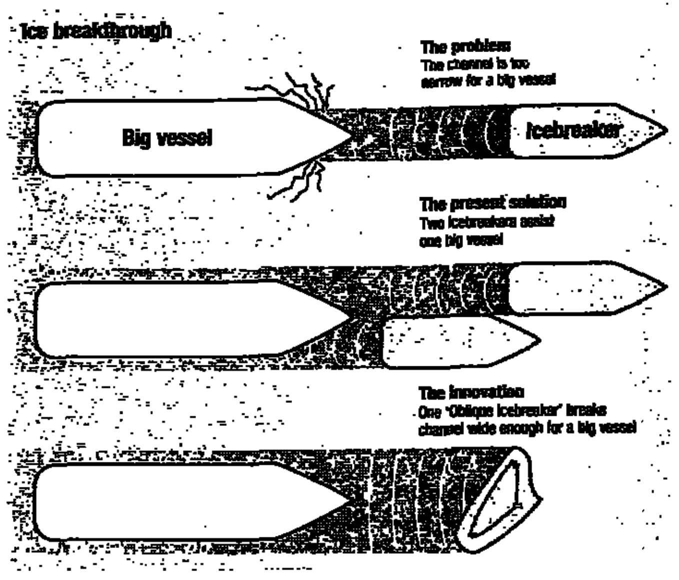
Without azimuthing, running astern through ice would be impossible. The rudder would have to be locked to prevent it being torn off, says Mr Wilkman, and there would be no steering.

But the DAT and the oblique icebreaker will take this further by using Azipod propulsion, developed jointly by KM-Y and Asea Brown Boveri at the end of the 1980s. The electric motor is located in the propeller pod rather than in the vessel, increasing efficiency by reducing the need for gears and long shaft lines. "In an icebreaker, there will be much less vibration through the ship than with conventional propulsion," says Mr Wilkman.

Getting through the ice also depends on having the right materials. It is not only a question of having extra-thick steel panels, like the 38mm grade used on the Urho. Rautaruukki, the Finnish steel company, has been at the forefront of developing steels that stay ductile at temperatures as low as minus 60°C.

In future, research will focus on improving the weldability of these steels, says David Porter, the company's research manager for physical metallurgy.

Ice breakthrough




Environmental challenge: Finland faces severe winters and swings in temperature

ROAD MAINTENANCE

Natural solution to cracking problem

Geotechnical knowhow has found that the road to preventing frost damage is paved with peat

While a frozen sea is the most visible sign of Finland's annual environmental challenge, frost damage is a big but less obvious problem on land, *writes Andrew Baxter*.

Peat, used for centuries as a source of energy or a fertiliser, is coming to the rescue.

The severity of the winter and swings in annual temperature, a relatively high groundwater level, and soil types that are particularly susceptible to frost lead to a phenomenon known as frost heave.

This movement of the subsoil is a result of a complex process of heat and water transfer in frozen and partially frozen soil that is covered by snow or ice.

Frost can penetrate to a depth of 2m-3m, and as the ground thaws in the spring, its load-bearing capacity is reduced, threatening to damage buildings, roads and other structures.

Insulation to reduce heat flow is the key to preventing this, says Kauko Kujala at the University of Oulu's geotechnical laboratory in northern Finland. This is relatively easy to achieve with houses, he says, but a much bigger problem for roads, where cracks can be expensive to repair.

The challenge is to find materials with low thermal conductivity that can do the job cost-effectively.

Sand or slag, a waste product from the steel industry, can be used. But for several years the laboratory has been testing the use of sod peat as a frost insulator for roads.

For environmentalists in the UK, peat is a sensitive issue. Friends of the Earth held demonstrations outside garden centres last weekend amid growing concern about its use as a fertiliser and the consequent threat from peat extraction to wildlife habitats. But in Finland there is plenty of the stuff.

"Peat is light and its thermal conductivity is low," says Mr Kujala. "It is very promising as an insulator for minor and country roads."

Test roads have been built with a 400-600mm layer of peat under the sub-base and base course, and a design code has been developed for local authorities.

For the laboratory, the peat-based roads are just one example of how geotechnical knowhow can provide a stronger foundation for civil engineering in a cold climate.

BUSINESS JARGON COMPETITION 1998

- Remember "shoddipush" and "white-anting"? Recall "referential transparency" and the strategic use of the "horseblanket"? These prize specimens of management gobbledegook were among the winners of the jargon competition we ran last year.

The Financial Times and the Management Consultancies Association are launching the 1998 business jargon competition. Three £500 prizes will be on offer, so start collecting gobbledegook horrors and watch these pages for further details.

JOHN THORNHILL
FILE FROM MOSCOW

To Russia with business

No longer the running dogs of international capitalism, foreign business leaders are treated more with reverence than revulsion

It is sometimes easy to forget how much Russia has changed since Soviet times.

So much of what once seemed unthinkable is now regarded as commonplace, whether it is freedom of religion, consumer choice, or foreign travel.

With bewildering speed, it seems society has swung from totalitarian to libertarian with little pause for anything less radical in between.

Undoubtedly, one of the most striking changes has been Russia's attitudes towards foreign business leaders who, in Soviet times, were routinely condemned as the running dogs of international capitalism.

These days, they are more likely to be treated with reverence than revulsion. When Bill Gates, the founder of the Microsoft computer software empire, visited Moscow last year he was granted ready access to the Kremlin and merited front-page news for days.

In the past few weeks, two very different businessmen have also visited Moscow, provoking considerable media attention.

Luciano Benetton, president of the eponymous Italian clothing business, was in Russia to help propel the expansion of his company's stores, while Jean-Louis Dumas, the fifth generation descendant of the family that runs the French Hermès fashion house, was promoting an exhibition of the company's silk scarves.

In Soviet times, Benetton's love of controversial advertising – such as the billboard of a nun and a priest kissing – would doubtless have attracted the withering criticism of Communist ideologues.

Hermès' luxury goods, too, would surely have been denounced as mere baubles for the bourgeoisie.

Nowadays, however, Russia's *beau monde* clamours to exhibit the photographs used in the Benetton advertisements and to peruse Hermès' exquisite art.

What has also changed is the attitude of foreign businessmen towards Russia. Mr Benetton's and Mr Dumas's views are both highly instructive in this regard.

Mr Dumas, whose rhetoric is as colourful as his company's products, is enthralled by Russia's re-entry into the world as well as enticed by the emergence of 150m potential customers – or patrons, as he prefers to call them.

The company, which has increased its sales by an average of 24 per cent a year between 1986 and 1996, senses a promising business opportunity.

"Russians are our new neighbours and my attitude is to open our doors to neighbours," Mr Dumas gushes. "We can best find out who they are and get to know them not by reading newspapers but by coming here and remembering certain looks and certain smiles and certain reactions."

The company's exhibition – entitled Hermès Scarves: Dreams Woven of Silk – has only previously been displayed in Osaka and Los Angeles, highlighting the importance that Hermès now attaches to Russia. Mr Dumas asked Hilton McConnico, the stage designer, to rummage through the company's "treasure chest of scarves to create an imaginative voyage of discovery".

The result is a theatrical display of artfully-lit "consumer icons" that would not look out of place in a production by the Bolshoi ballet.

Mr Dumas says "his family memory" told him that Russians had always been "very knowledgeable patrons" of Hermès until the Bolshevik revolution of 1917 and today they are becoming increasingly frequent visitors to the company's shops around the world.

"We have a great opportunity to re-tie, to re-bind, Hermès and Russia. I wanted them to know Hermès not by the superficiality but by the reality," he says.

Mr Dumas believes it is important to establish the brand in Russia even before the first store has opened. "If we wanted to plant a flower here then we would not have to dig very far but as we want to grow an oak then we must put down deeper roots," he says.

Mr Benetton, whose wild, white hair and steel-framed glasses give him the air of a dreamy academic, is another unconventional businessman who entertains occasional flights of fancy.

But his experience of Russia is also grounded in the reality of operating in the country since 1989 – it took three months of battling with bureaucracy for the company to import its own office furniture.

Benetton aims to expand its network of franchised stores to 25-30 by the year-end, taking in such far-flung towns as Samara, Omsk and Kemerovo. Mr Benetton's starting premise is that in spite of decades of isolation the Russians respond to the same impulses and fashion instincts as consumers in most other countries.

"The fashion market is becoming more and more global and young people and young women in particular the world over have the same feelings towards the same products."

That said, he argues it was always overly-romantic to expect Russians to emerge as fully-formed consumers as soon as the Berlin wall fell. It will take time for Benetton to learn from the local market as the economy recovers. It will also take time to overcome the Soviet mentality.

"The countries of eastern Europe – and especially Russia – still have their own identifiable cultures and histories but they are moving closer and closer to western Europe every day," he says.

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OPENINGS

NEW YORK
With its concert on Thursday at Avery Fisher Hall, the New York Philharmonic launches a week-long celebration of British music. Sir Colin Davis (left), who becomes the orchestra's principal guest conductor next season, will conduct works by Vaughan Williams, Tippett and Elgar. There will also be a piano recital by Joanna MacGregor and a chamber music concert featuring works by Adès and Turnage.

AMSTERDAM
In coming years the Rijksmuseum's rich collection of 17th century Dutch drawings is to be published in a series of exhibit catalogues. A survey of 100 drawings has been compiled to mark the publication of the first volume, including early landscapes by Visscher, Van de Velde and Van Goyen. The exhibition opens on Saturday.

EDINBURGH
Sacred and Profane is a new series of works commissioned from Calum Colvin, one of Scotland's leading contemporary artists. It opens in The Gymnasium on Saturday.

GENEVA
Roderick Brydon conducts Guy Joosten's new production of Handel's *Xerxes*, opening at the Forces Motrices on Wednesday. The cast includes Paula Rasmussen, Elizabeth Futral (below) and Brian Asawa.

FLORENCE
Lev Dodin, best known for his work with St Petersburg's Maly Theatre, made his operatic debut three years ago directing *Elektra* at the Salzburg Easter festival. Now he takes a further step into operatic territory with Shostakovich's *Lady Macbeth of Mtsensk* at the Teatro Comunale. Semyon Bychkov conducts, and the title role is sung by Karen Huffstodt. First night is tomorrow.

LONDON
Dame Edna Everage (right) returns to London in *Edna – the Spectacle*, opening tomorrow at the Theatre Royal Haymarket.

A double bill of ingenious one-act classics from the 1960s opens on Wednesday at the Comedy Theatre: Tom Stoppard's *The Real Inspector Hound* and Peter Shaffer's *Black Comedy*. Greg Doran directs; the illustrious cast includes Desmond Barrit, Anna Chancellor, Sara Crowe, Geoffrey Freshwater, Nichola McAuliffe, Nicholas Rowe, David Tennant, and Gary Waldhorn.

CONTEMPORARY MUSIC

Acceptable sounds of radical brutism

Pierre Ruhe talks to the Finnish composer, Magnus Lindberg

Finnish musicians are a fast-rising lot everywhere just now, and fastest among their composers is Magnus Lindberg. His music is being played with increasing fervour and everyone seems to want a piece. *Feria*, an orchestral work premiered at last summer's Proms in London, tallied 15 performances world-wide within its first six months – surprising for a composer labelled as a "radical brutist", a "passionate systematician" and whose music on first hearing can sound noisy, industrial, and often ferociously dense.

Yet along with Thomas Adès, an even younger British composer of an altogether different stripe, Lindberg, 39, is touted as a leader of his generation, admired for the satisfaction his music gives performers and for the deft act of balancing "approachability" with the highest standards of compositional rigour. This often abrasive rigour makes him a fundamentally traditional composer, albeit operating within a tradition established only in the past half-century.

At Helsinki's Sibelius Academy, along with classmates that included Esa-Pekka Salonen and Kaija Saariaho he became frustrated that they weren't hearing the latest in modernism and formed "Korvat auki" (Ears open), a new music society that revitalised Finnish music. "The tradition in Finland was that you did things alone," Lindberg said recently in Los Angeles. "The ideal picture of the composer was that you sit in the forest and compose. We wanted to say 'No, we will die if we do that.' Ours was a very non-romantic approach."

Lindberg grew close to the serialism of Stockhausen and Babbitt and moved on to soak up Darmstadt summer courses. He came under the influence of Helmut Lachenmann and Brian Ferneyhough – although he now concedes that the Darmstadt model has "produced very little good music, perhaps only 15 excellent pieces since the 1950s." Complexity, he says, "doesn't exist if there isn't simplicity as well. You need a reference point, and constant complexity is grey for me."

He joined Boulez's IRCAM underground electronics studio in Paris and soon afterwards wrote *Action-Situation-Signification* (1982), a mostly tape-and-percussion block of musique concrete inspired by Elias Canetti's enlightening book, *Crowds and Power*.

His own ears wide open, Lindberg later veered towards the French spectral sounds of Gerard Grisey and Tristan Murail, and was attracted to the sonorities and energy of Berlin punk bands. By this time his music was "ridiculously overconstructed", he says, and limiting because he had primarily explored rhythmic structures, afterwards filling out the rest of the piece.

An intensive use of computers led to broadened horizons and streamlined procedures. *Kraft* (1985) became his breakthrough in both recognition and style. Composer-in-residence at the 1995 Aldeburgh Festival and artistic director of the South Bank Centre's 1996 "Meltdown" festival signalled acceptance on a more influential scale.

"I have never really thought of music in terms of melody," says Lindberg, who prefers to explore harmonic regions – clouds of related notes, each with a distinct flavour. A computer program expands and unfolds his material, using rules not dissimilar to those used by Palestrina or Josquin des Prez. "What interests me most is syntax, in the grammar that says what can and cannot be done."

He and his Macintosh will overproduce notes on paper which he will then compress, or whittle away, until it takes shape, constantly working on "local solutions." Such a method suggests an mechanised world – which we hear – and might explain why some episodes in a piece like *Joy* (1990) can feel long-winded. He's aware of the danger. "When you choose material by this method you have to correlate it with the size. Sometimes you overcook things."

His mature works struggle between order (music the ear can handle) and a density so complex as to border on anarchy. And this level of thorniness presents its own problems: the US premiere of *Related Rocks* (1997) for four players, took LA Philharmonic musicians an alarming 50 hours of rehearsal to bring together.

Yet the method doesn't explain Lindberg's unerring sense that leads each piece to its inevitable resolution. Lindberg's most convincing skills are in holding tension in his music, finding contrasts (foreground/background or a gamelan-style loud and soft) and taking the listener on a journey. Eventually the tingle of closure is felt, which he likens to "nails scattered about a table until a big magnet comes near and lines them up."

When he felt the need to push into new corners, one "simplified" direction led to *Coyote Blues* (1993) for chamber orchestra, with similarities to John Adams's post-minimalist work: "funnily enough, it's the piece most people want to play. Many ensembles that have never performed my music start with that, yet in many respects after *Coyote Blues* I didn't see a way to go further on that path. I feel quite alienated from it now." It represents for him the limits of his "simplicity" style, and he returned to his grittier sounds of the late 1980s.

Married and with two young daughters, Lindberg collects a small stipend from the Finnish government and works overtime filling commissions and conducting dates, mostly of his own music. Asked recently by the Orchestre de Paris to write a cello concerto for Yo-Yo Ma, he accepted on condition that the soloist instead be Ansii Karttunen, with whom he's worked for two decades. And although he has virtually no experience writing for the voice, a commission to write his first opera is in process.

"I basically have a schedule now that is fixed until 2001 – but I am not taking on further projects beyond that. How can I know what I want to do in five years? The ultimate dream would be to achieve the position that Lutoslawski had and say: 'No, I'm not taking any more commissions. When I finish a piece, if someone wants to buy it, it's for sale.'"

Magnus Lindberg: 'I have never thought of music in terms of melody'

His mature works struggle between order which the ear can handle and a density which borders on anarchy

Subtle train of thought locked into loneliness

THEATRE

SARAH HEMMING

The Unexpected Man
The Pit, Barbican, London EC2

Yasmina Reza is a smuggler of a playwright who works by stealth. In *Art* she smuggles a rather profound, thoughtful piece about friendship into a boulevard comedy. In her new chamber play, *The Unexpected Man*, she employs the traditional ploy of a meeting on a train, but the game in this case is that the characters do not speak to one another, but to us, through interior monologue.

In reality, the two characters sit in silence, each locked into loneliness. But we are privy to their thoughts, which spill out and interweave. One (Michael Gambon) is a famous novelist who is tired of life, himself and his writing and shares his dyspeptic grumbles with us; the other (Eileen Atkins) is a lonely, middle-aged woman, a great fan of his, who unburdens her reflections on her life and relationships, while daring herself to address the writer, whose novel she has, half-read, in her handbag.

There is not as much meat to the new piece as there is to *Art*, though there are similar concerns. In *Art*, through the guise of an argument about an avant-garde painting that splits up close friends, Reza picked away at the lies that bind to uncover the fragility of friendship. In *The Unexpected Man* (crisply translated by Christopher Hampton), she also explores the complexities of human contact and the way we forge our own identities. It may be a slight piece, but it is delicate and witty, neatly constructed and peppered with irony. It captures subtly the slippery, fleeting nature of the world of possibilities that daily surround us.

Matthew Warchus's beautiful, poised production for the RSC frames it to perfection. It is precisely and wittily directed to catch every turn of the head and flex of the wrist, but also the wistful, reflective quality that pervades the piece. Mark Thompson's elegant set suggests a train, but is also slightly surreal, more evocative of the state of mind a train journey induces than of physical surroundings. There is a railway track across the stage, but the characters are suspended above it on a glass floor, on which they move like insects on a pond. Against the back wall is a huge train window.

Astute lighting by Hugh Vanstone keeps reminding us of the moving train, which punctuates and moulds the play, and also occasionally turns these glass surfaces into mirrors so that the two characters are surrounded by reflections of themselves, at which they stare, brooding – as people do on trains.

Michael Gambon and Eileen Atkins, meanwhile, are superb, both suggesting by different means the disconsolate and lonely middle age in which they find themselves. She, faded but elegant in a well-cut purple suit, muses about her lost men friends and mulls over the madness of meeting a man by chance who has spent, through his writing, so much time in her life. Her exact combination of the wry, the quizzical and the sad is most poignant.

Gambon, meanwhile, scarcely moves, but suggests chronic grumpiness simply through the hunch of his shoulders and the sag of his back. When he finally makes contact with his travelling companion, he thaws visibly to give a glimpse of the man beneath the layers of discontent.

It is not a fulfilling piece of theatre and in the end the whole thing glides past just as countryside does on a train ride – but then that is half the point.

One character is a famous novelist tired of life, the other a middle-aged woman with his novel in her handbag

A journey of the mind: Eileen Atkins and Michael Gambon, superb in Yasmina Reza's new chamber play Manuel Harlan

INTERNATIONAL

Arts Guide

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
● Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Knussen; Apr 20, 21, 22
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mozart, Rihm, Brahms and Schumann; Apr 25

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival directed by Peter Schaufuss; Apr 25

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 24

BIRMINGHAM

CONCERTS
Symphony Hall
Tel: 44-121-212 3333
Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev, Schumann and Chopin; Apr 23

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Donald Runnicles in works by Wagner, Haydn, Pärt and Britten. With cello soloist John Sharp; Apr 21
● Chicago Symphony Orchestra: American premiere of Carter's Clarinet Concerto, conducted by Pierre Boulez with clarinet soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23, 24, 25

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21, 24

FRANKFURT

CONCERT
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 21

GENEVA

CONCERTS
Victoria Hall
Tel: 41-22-317 0017
Orchestre de la Tonhalle de Zurich: conducted by David Zinman in works by Bartok and Mahler. With violin soloist Viktoria Mullova; Apr 22

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg. Conducted by Mikko Franck; Apr 24

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● English Chamber Orchestra: conducted by Pinchas Aukerman in works by Dvorák and Mozart, with piano soloist Iyuko Nakamichi, and by Shuntaro Sato in Bartok's Viola Concerto, with Zukerman as viola soloist; Apr 20
● Philharmonia Orchestra: conducted by Mikhail Pletnev in works by Berlioz and Tchaikovsky. With mezzo-soprano Jean Rigby; Apr 21
● Orchestra of the Age of Enlightenment: conducted by Sir Simon Rattle in works by Mozart, Berlioz and Beethoven. With mezzo-soprano Ann Murray; Apr 22
● The Royal Opera: Parsifal, by Wagner. Concert performance, conducted by Bernard Haitink. The title role is sung by Plácido Domingo; Apr 23

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
La Bohème: by Puccini. Steven Pimlott's production is revived by Barry Atkinson and Frances Moore, and conducted by Alex Ingram; Apr 21, 23

LOS ANGELES

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; Apr 25

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 20, 21
● Vienna Philharmonic Orchestra: conducted by Vladimir Fedossejew in works by Schubert, Haydn and Tchaikovsky; Apr 22
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Rossini, Chopin and Beethoven; Apr 23
● Königlich Flämische Philharmonie: conducted by Mu Hai Tang in works by Mozart, Brahms and Tchaikovsky. With violin soloist Julian Rachlin and pianist Anna Gourari; Apr 25

OPERA
Carl-Orff-Saal, Gasteig
Tel: 49-89-4809 8508
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 20, 22

NEW YORK

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 22, 25

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mork; Apr 22, 23

Théâtre des Champs-Elysées
Tel: 33-1-4952 5050
● Vienna Philharmonic Orchestra: conducted by Zubin Mehta in works by Weber, Mozart and Mahler. With oboe soloist Martin Gabriel; Apr 24
● Cecilia Bartoli: recital, with the Orchestre National de France conducted by Charles Dutoit, in works by Rossini and Ravel; Apr 25

ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
Parsifal: by Wagner. Bernard Haitink conducts the Covent Garden production, with a cast including Placido Domingo and John Tomlinson; Apr 26

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● Isaac Stern: recital by the violinist, accompanied by Robert McDonald; Apr 21
● San Francisco Symphony Orchestra: conducted by Hugo Wolff in works by Debussy, Mozart and Schumann. With piano soloist Alicia de Larrocha; Apr 22, 23, 24, 25

TOKYO

CONCERT
Bunkamura
Tel: 81-3-3477 9999
New Japan Philharmonic: conducted by Rostropovich in works by Shostakovich. With piano soloist Constantin Lifschitz; Orchard Hall; Apr 24

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
Fidelio: by Beethoven. Revival conducted by Richard Bradshaw in a staging by Richard Monette, with sets and costumes by Laara Cassells; Apr 21, 24

VENICE

EXHIBITION
Palazzo Grassi
Tel: 39-41-523 1680
www.palazzograssi.it
Picasso: 1917-1924. Works inspired by the theatre and ballet, as well as the artist's first visit to Italy; to Jun 28

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW ROGER BATE

A myth stubbed out

The European Union should scrap plans to ban tobacco advertising because such a move, far from reducing smoking, would lead to an increase in the activity

This week European Union health officials are expected *to agree to ban* tobacco advertising at some future date. The aim is to reduce smoking among young people and is based on the belief that children's preferences are significantly *influenced* by advertising.

However, aside from the immediate risks to jobs in tobacco marketing, publishing and advertising, and a significant loss of commercial free speech, there is considerable doubt that the primary aim of the ban would be achieved.

Professor Hugh High of the University of Cape Town has just reviewed the worldwide literature on the tobacco-advertising-consumption relationship for the Institute of Economic Affairs. According to his analysis, the average adult in countries belonging to the Organisation for Economic Co-operation and Development that have advertising bans consumes 3.3 per cent more tobacco than do individuals in countries with regulated advertising and warning labels. More specifically, Italy, Portugal, France and Norway have had advertising bans for many years, during which time smoking levels have increased, particularly among young women.

Yet those countries – such as the UK, Belgium and the Netherlands – that have allowed advertising in recent decades have seen a faster decline in smoking over the same period than OECD countries with stricter rules. The alleged positive relationship between advertising and total tobacco consumption may be a myth.

Conventional wisdom is that advertisers can easily create demand for products among a naive public. It is consequently assumed that an advertising ban would reduce demand for the products concerned, thereby protecting consumers from wanting things that are bad for them. But evidence suggests that consumers tend not to believe exactly what advertising says – rather, they combine advertising hyperbole with other personal information to reach purchasing decisions.

According to Martin Duffy of Manchester University, this may explain why advertising restrictions on tobacco *can serve to increase*, rather than decrease, tobacco consumption since the health warnings on tobacco products are no longer widely disseminated. Consumers in countries with bans are not reminded regularly that smoking is dangerous.

Prof High demonstrates that for mature markets, such as with toothpaste and tobacco, each company advertises its brands in the belief (almost certainly true) that to cease advertising is to concede the market to competitors. Consumers are loyal to brands but can be persuaded to change, especially if product differentiation is possible. After all, do you buy more toothpaste when you see oral hygiene advertisements, or perhaps just switch to a brand with alleged new protection? Prof High says mature market advertising bans "do not reduce total demand, only the likelihood for changes in brand market shares".

For example, the dangers of tobacco were first widely disseminated in the 1960s and many people subsequently stopped smoking. But others, who did not want to quit, switched to "safer" cigarettes, lower in tar and with filter tips, when they were first advertised as less bad than their competitors. A ban today would reduce the likelihood of new, perhaps more socially acceptable products, reaching the market.

But what about the EU health ministers' desire to help the young and impressionable?

The Joe Camel cartoon character used in R.J. Reynold's tobacco advertisements (now discontinued) are alleged by many anti-tobacco groups to have encouraged young people to start smoking in the US. A paper in the Journal of the American Medical Association reported that Joe Camel was as familiar to six year olds as Mickey Mouse. Among high school students 98 per cent recognised the character, compared with 67 per cent of adults.

The UK government report on Camel, however, said that "the evidence on consumption is not sufficient to establish that the campaign does actually increase smoking". This conclusion, which is supported by many independent studies in Europe, seems to show that even young children know that tobacco is bad for them.

Advertising bans make politicians look good by acting to promote public health, but do not endanger tobacco taxes

Today's children are bombarded by advertising and they become astute at a very young age at discerning what is and what is not a commercial. Peer group pressure among rebellious teenagers and family habits are far more important in determining whether someone will start smoking, concludes Prof High.

Most politicians know that an advertising ban will not cause tobacco consumption to decline any faster than it already is, but to oppose such a ban is to be labelled pro-tobacco – a poisoned chalice for any politician. In 1996, the Belgian health minister Mr Colla said in a parliamentary debate: "There actually does not exist any scientific proof linking advertising and consumption of tobacco." Nevertheless, he could not be seen to back tobacco and had to support the position of a fellow Flemish socialist party member who promoted a bill last year to ban tobacco advertising in Belgium, thereby gaining popular support.

Like politicians, most health professionals cannot acknowledge that tobacco adverts do not induce smoking because if they did they would have to acknowledge that bans do not work and, even worse, that their own anti-tobacco propaganda is probably doomed to fail. Propaganda, as its creator in modern times Joseph Goebbels admitted, is about success not about truth.

Perhaps advertising bans provide success for politicians. After all, bans make them look good by acting to promote public health, but they do not endanger the tobacco taxes that treasuries the world over rely upon.

Take the UK for example. The £10bn ($16.7bn) raised annually from tobacco taxes is equivalent to the entire budgets of the Foreign Office, the Home Office and the Ministry of Agriculture. Surely governments are too wedded to this funding to jeopardise it if advertising bans really damaged cigarette sales? The answer, of course, is that bans do not work: all they do is retard the movement towards "healthier" products, such as lower nicotine cigarettes.

If health ministers really want to do something about smoking then they should encourage the removal of the £700m EU subsidy for tobacco growing and stop this counter-productive advertising ban. Making smoking taboo will attract even more of the young to try this forbidden fruit.

The author is an economist at the Institute of Economic Affairs. Tobacco and Advertising by Hugh High is published by the IEA next month.

LETTERS TO THE EDITOR

Non-economic case for keeping net consumer as part of the household

From Dr Tim Leunig.

Sir, Martin Wolf ("Brown's families", April 14) shows that, following the introduction of the working families tax credit, John – who earns £250 a week – is worth just £88 a week to his family. Mr Wolf believes that this will make John a net consumer rather than a net provider, and so Joan, his working partner, should – and will – throw him out. But Mr Wolf forgets the economies of scale of families, the value of non-market labour and, above all, the non-economic motivation for families staying together.

- Given that he is living with Joan, John's living costs are small. Above all, he has no housing costs; he is also much less likely to need his own car, and they can easily share their daily FT.
- Further, Joan and the children will benefit from John's non-market labour. Living at home he is much more likely to help look after the children, do the ironing, decorating and so on.
- Most important, I hope that it is more than John's income that has persuaded Joan to keep him in the household. The vast majority of parents are together because they believe that a stable, monogamous relationship, whether sanctified by marriage or not, is the best route to happiness for themselves and for their children. Countless studies, from sociologists, health experts and so on confirm their belief. Such relationships will not collapse because of the working families tax credit.

Of course, there are some families whose relationships are not like this. There are, for example, some women who continue to live with abusive partners. If the tax credit allows such women to start a new life for themselves and their children, then any rise in the number of working lone parents must be welcomed.

Tim Leunig,
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Time governments told electorates about change of lifestyle fiscal union will demand

From Mr James Barr.

Sir, David White's report "Spain's 'black money' looks for a white knight" (April 15) omits to mention that popular support for the euro also derives from hopes that the advent of the new currency will inhibit the activities of money launderers.

On holiday at New Year I met a Frenchman who assured me that the first reason for supporting the introduction of the euro was that the suddenness of the changeover would deprive black marketeers of the ill-gotten gains. This is an argument thankfully absent from the British debate on Emu, due to the comparatively small size of the British black economy.

This episode shows the extent to which many people still wonder what the euro can do for them, not what they will have to do to ensure its success. The euro's effect on the black market will be a temporary palliative compared with the radical changes of *lifestyle* which an economic union without fiscal transfers will demand. It is high time governments informed their electorates of what these requirements would be. Otherwise many of the euro's most convinced supporters are likely to be disappointed.

James Barr,
The European Foundation,
61 Pall Mall,
London SW1Y 5HZ, UK

Just how will our grandchildren keep warm?

From Mr Bill McMillan.

Sir, Your survey on world energy (April 16) turned out to be a sorry and sad catalogue of short-termism, wheeler-dealing and head-in-the-sand approaches to world energy.

In its 12 pages there was no attempt to address the simple questions: how long will the world's fuel resources last out against increasing population and expectations of rising living standards? Just how will our grandchildren and their children keep warm or cook their food? How will they view our thoughtless plundering of the last ounces of coal or litres of oil?

May I suggest these questions as the subject of a future FT survey – even if it is unlikely to attract any advertising support?

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Justice costs dear in the US

From Mr Steven Strauss.

Sir, Perhaps the Smith Barney lawsuit is a small reflection of what is wrong with justice in America. A group of women sue Smith Barney on a class action basis claiming (with good evidence) that they were subjected to a pattern of harassment. Various special interest groups join the bandwagon. The result: the lawyers (for the plaintiffs, ie the victims) receive $9.5m. Various special interest groups and consulting firms are bought off with a pledge of $15m by Smith Barney. And the victims may receive as much as $2m.

Note that, unlike their lawyers, the victims receive nothing from the lawsuit. They merely have the right to hire individual counsel to *start the process* all over again in an arbitration proceeding. Of course, they had the right to arbitrate this matter in the first place, so it is not clear what the plaintiffs gained.

But *pointing* this out would merely interrupt the gravy train for America's lawyers. The message to America's victims is clear, justice is expensive and must be paid for.

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Goldilocks: the bears won

From Mr Tim Calvert.

Sir, Jack Campbell ("Snow White – now there's a better analogy", Letters, April 15) does miss the point of the Goldilocks story: ultimately, the bears score a resounding victory. Bulls beware.

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ECONOMICS NOTEBOOK GILLIAN TETT

Breathing space

Japan's latest fiscal package may help in the short term but sweeping deregulation is crucial if it is to repair its crumbling productivity

It is the package to end all packages. Or it is if you believe Ryutaro Hashimoto, Japan's prime minister.

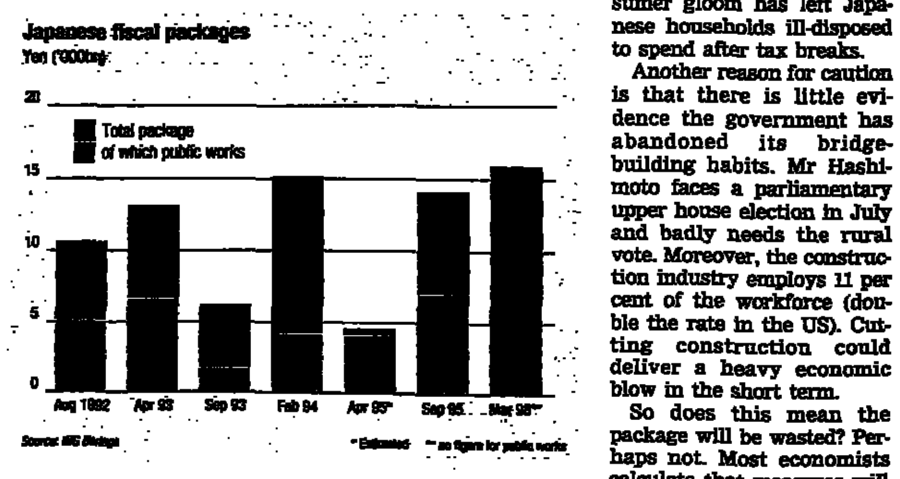
As the Group of Seven leading industrialised nations fretted over Japan's ailing economy last week in Washington, Mr Hashimoto pulled a new rabbit from his fiscal hat – a record Y16,000bn ($121bn) stimulus package to be started in fiscal 1998.

The Y16,000bn figure is bigger than anything Tokyo has produced before. It is even heftier than expected by Japan's US critics, who had been demanding such measures. The big question now, though, is whether it will work.

This is the latest in a line of similar measures: since 1992, at least Y64,000bn has been spent on packages – a sum twice the size of Australia's gross domestic product.

But in spite of the dizzying sums, recent data suggest *Japan is teetering near* recession: bankruptcies and unemployment recently hit record highs; production fell 3.9 per cent between January and February; and domestic demand was falling at an annual rate of 4 per cent in the last quarter of 1997.

So does this mean that such Keynesian initiatives do not work in Japan? Perhaps not. But research* by the Organisation for Economic Co-operation and Development on the impact of the 1992-95 packages should dampen enthusiasm for such measures.



The OECD calculates that pledged fiscal spending packages between 1992 and 1995 totalled Y75,000bn (although others, such as ING Barings, put the figure nearer to Y64,000bn). This included income tax cuts that reduced government revenues by Y17,000bn, about Y38,000bn in new public investment, and Y20,000bn in government land purchases and public loans.

Of this, the OECD believes public investment gave the biggest *short-term* boost. Its model multiplier for public investment, for example, was 1.2 per cent in the first year (meaning Y1 of spending delivered Y1.2 of activity), 1.1 per cent in the second year and zero afterwards. This compares with the multiplier for tax cuts of only 0.8 per cent in the first year, 1.1 in the second, and zero after that. Spending on land and loans had almost no impact, it assumes.

The upshot is that the Y75,000bn certainly had an impact: the OECD calculates it raised output by 4 per cent between 1992 and 1996, reducing the impact of the post-bubble recession by half. But it was not very efficient. After all, Y75,000bn is equivalent to about an eighth of Japan's GDP. A 4 per cent rise in output therefore looks meagre.

Another reason for caution is that there is little evidence the government has abandoned its bridge-building habits

The OECD blames this partly on yen strength and tight monetary policy in the early 1990s. But another factor is that Japan's public sector investment is deeply inefficient. The essential problem is that government spending tends to be focused on vote-winning rural construction projects with limited economic value.

Signs of this abound: the countryside is dotted with expensive and underused infrastructure. In a country that already has 370 dams, another 120 are under construction. Since 1992, new bridges have sprouted at a rate of 160km a year – excluding motorways.

Meanwhile, the OECD points out that public investment in high-income areas *has had* up to three times the economic impact of spending in low-income areas. But since 1992, public investment per resident has been four times higher in these low-income regions.

So will the *new package* be better? This will not be clear until full details are announced, probably this week. But early signs are not encouraging.

The current background is perhaps better: the yen is now more than 40 per cent below its 1995 peak, while monetary policy is looser than in the early 1990s. But the deal sounds similar to earlier ones: Mr Hashimoto has suggested it will include Y4,000bn in income tax cuts, at least Y6,000bn in new public spending and more government loans, plus some front-loading of previously announced public spending cuts. And there seems little sign that the underlying impact has improved.

One reason is that the so-called multiplier impact of tax cuts is probably now lower than in the original OECD model. This is because the current consumer gloom has left Japanese households ill-disposed to spend after tax breaks.

Another reason for caution is that there is little evidence the government has abandoned its bridge-building habits. Mr Hashimoto faces a parliamentary upper house election in July and badly needs the rural vote. Moreover, the construction industry employs 11 per cent of the workforce (double the rate in the US). Cutting construction could deliver a heavy economic blow in the short term.

So does this mean the package will be wasted? Perhaps not. Most economists calculate that measures will boost GDP by about 1 per cent. This should be enough to prevent the economy sliding into a full recession this year.

But this only buys the government time. Once the public spending boost is over, the economy could slump again without private spending growth. And Y16,000bn does not solve the bigger problem facing Japan: that productivity is crumbling as the population ages.

Optimists retort that Mr Hashimoto could use this breathing space to start tackling the productivity issue with sweeping deregulations and more reform. After all, the last deregulation initiatives, including Big Bang, emerged after the 1996 package.

But the risk, as so often in Japan, is that an upturn might be used by politicians as an excuse to stave off sweeping reform. Japan's essential difficulty is that it still has enough money to offset any sense of crisis.

After all, the Y75,000bn breathing spaces between 1992 and 1996 have not produced the scale of reforms needed. Even now, commitment to deregulation appears half-hearted. Unless this changes, the latest Y16,000bn offering will simply be squandered. It is an expensive way for an economy to stagnate.

**OECD Economic Survey; December 1996 and November 1997, rue Andre Pascal, 75775, Paris Cedex, France*

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FINANCIAL TIMES

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Monday April 20 1998

Bank regulators must keep pace

Which banks will merge this week? As the wave of banking consolidations gathers momentum in the US and around the world, it seems that only a sharp stock market setback will put further deals on hold. Whenever bankers rush to do the same thing at the same time, it is a sure rule that problems will follow, and so it is not surprising that politicians are beginning to express concern. In the US, Senator Arlen Specter and Representative Jim Leach, both Republicans, are promising that their respective committees will hold hearings on the mergers. It is important that they investigate the right issues.

Contrary to their initial comments, the main concern is not about the impact on the consumer. The US still has more than 10,000 banks, and although mergers and failures have reduced that figure in recent years, the number of branches has not changed much. As interstate banking restrictions and other constraints are lifted, the US banking system should become more – not less – competitive.

Rather than focusing on bank customers, US policymakers should be thinking about the implications for the overall soundness of the banking system. The structures that were appropriate for a highly fragmented industry no longer make sense as a growing number of super-banks emerge on the scene.

For a start, US banks today are supervised by a wide range of agencies at the federal and state level. As they move into new areas such as insurance and equities, the number of regulators with which they deal is increasing still further. There is a strong case for considering the idea of merging some of these agencies, or at least of developing a clearer concept of who should play the part of lead regulator for each financial institution.

Next comes the question of the overall approach to regulation itself – and the extent to which it should be based on legions of supervisors armed with rule books. Alan Greenspan, the Fed chairman, is among those to have been brooding about the case for a more market-based system – finding ways of giving investors and depositors a larger role in establishing credit-worthiness.

Finally, policymakers need to be thinking hard about the growing risks of a structure where more and more banks may be seen as becoming too big to fail. In particular, the main risks of failure should be shifted as far as possible from the taxpayer to the market. This means, for instance, that large depositors should be absolutely certain that if their bank goes under, they will lose their money.

More banking mergers are inevitable, and if properly managed they will bring economic benefits. But the regulators must keep pace.

Engaging Tehran

Municipal shenanigans in the Middle East rarely make front-page news in the West. But the struggle around the mayor of Tehran is as clear a snapshot as we can get of the factional battle in Iran between the mullahs and the reformists around President Mohammed Khatami.

Gholamhossein Karbaschi, mayor of Tehran, was released on Wednesday after his imprisonment on corruption charges – at the instigation of the president's opponents – led to riots in the capital, where he is popular.

His release was authorised by Ayatollah Ali Khamenei, supreme spiritual leader of Iran's Islamic revolution, after Mr Khatami underlined that unbridled factionalism could destroy the regime. Former president Hashemi Rafsanjani, still powerful as a Khamenei adviser and cautious supporter of Mr Khatami's reforms, pleaded at Friday prayers for reconciliation within "the revolutionary family".

All of this suggests that – for the second time since Mr Khatami thrashed the mullahs' preferred candidate at last year's election – the hardliners have misjudged the balance of power. Last November, popular resistance forced them to curb their violent campaign against a dissident cleric who questioned the very foundations of theocratic rule in Iran. Now, they may again have miscalculated.

With Ayatollah Khamenei at their head, the conservatives control the army, the security forces, and the judiciary – which is spearheading the attack on the reformists. But Mr Khatami has the electoral support of 70 per cent of a youthful population. They have rallied to his vision of a more plural society under the rule of law, reintegrated into the international community.

The theocrats want an isolated, autarchic society under an austere Islam they alone interpret. One reason they despise Mr Karbaschi is because he successfully issued municipal bonds. Bonds have always been suspect to the conservatives, because interest is proscribed by Islam. But these were endorsed by clerics theologically senior to Mr Khamenei because the real return to investors was classified as profit, not interest. The old guard fears such doctrinal dilution could break their grip on power.

Mr Khatami's success will ultimately depend on popular support at home. But the West, particularly the US, which has sought to isolate Iran, can help. Its best approach lies in engaging with Tehran. Such a policy would strengthen the reformists, encourage Iran's fast-improving relations with its neighbours, and promote – rather than impede – the investment that will provide the jobs Iranians desperately need.

Leipzig lesson

Germany's famously quarrelsome Social Democrats (SPD) gave an impressive display of unity last week when they confirmed Gerhard Schröder as their candidate for chancellor at the general election. The discipline shown by the party congress in Leipzig should sound a warning for the incumbent, Chancellor Helmut Kohl, after nearly 16 years in office.

The carefully choreographed event, although comical and triumphalist at times, succeeded as televised theatre. The strong endorsement of Mr Schröder by Helmut Schmidt, the former SPD chancellor, was an added bonus. It could increase the party's appeal among older voters, who associate Mr Schmidt's government in the 1970s with the then world-beating German model of the social market economy.

Mr Schröder can also feel pleased with his current opinion poll ratings. His drive to capture the centre ground of German politics, his insistence on pragmatism over dogma, and the deliberate vagueness of some of his policies, owe much the successful campaigning experience of Britain's Tony Blair and US President Bill Clinton. But Mr Schröder would not be in such a strong position without the self-inflicted wounds of Mr Kohl's coalition.

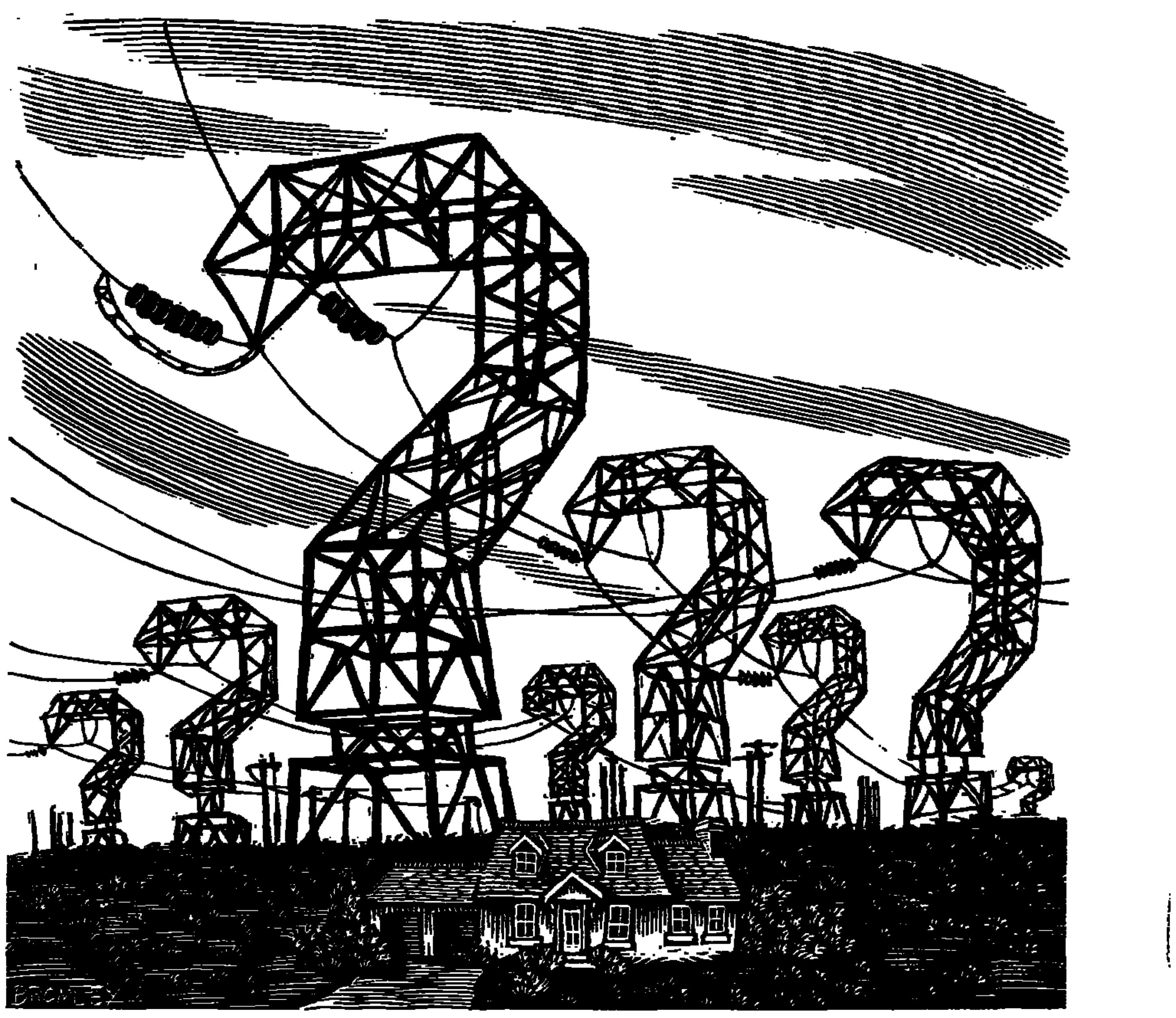
The chancellor's Christian Democratic Union and the Bavarian Christian Social Union have squabbled over a plan to raise energy taxes, which deflected attention from a promising CDU draft policy document intended as a platform for electoral recovery. More fundamentally, the feuding has exposed internal coalition weaknesses after such an extended period in power.

Relations between the CDU, CSU and their liberal Free Democrat partners have been strained throughout the life of the current parliament over questions of economic policy, tax reform and civil liberties. The zeal with which certain CSU politicians attacked the latest CDU plans suggests they have already written off hopes of a coalition victory in September, and are staking all on holding power in the Bavarian state elections two weeks earlier.

Mr Kohl's response to these setbacks has so far been feeble. While it is always a mistake to write off the German leader, who is a ruthless operator and a canny campaigner, it is difficult to see how he can recover his momentum. That is unless the SPD repeats past errors and tears itself apart. After Leipzig, such an outcome seems less likely. The activists voted with their heads for Mr Schröder, although in their hearts they would have preferred Oskar Lafontaine, the party leader. Mr Lafontaine insisted on party discipline, and was obeyed. That bodes ill for Chancellor Kohl.

The power to choose

The great experiment of deregulation of the US electricity market is under way in California, where the complexity of the issues involved has emerged in microcosm, reports Christopher Parkes



It was supposed to be a "blueprint" for the deregulation of a $220bn-a-year business. That was how Federico Peña, the American energy secretary, described the latest plans unveiled last month for US electricity. A few days later, California, the biggest single market, became the first state to launch its free electricity market.

But the blueprint looks more like a join-the-dots puzzle. The full picture will not emerge until the federal political process restarts and more states reveal their plans. And that could take much longer than Mr Peña has allowed.

According to his project, all US consumers will be able to choose their power providers by 2003. Driven by competition to use cheaper technologies, replacing coal and oil with natural gas, generators will sharply reduce the burden of emissions on the environment. The average family will end up saving $232 a year.

Efforts to introduce deregulation, in various stages of progress and disarray, are under way in about half the states in the nation.

The Peña blueprint was intended to fire up the federal debate, stuck in Congress, where it is likely to remain stalled at least until this year's elections are over.

At the moment, the deregulatory effort is running into the sand, and the complexity of the issues involved has emerged in microcosm in California, which accounts for almost 10 per cent of the national market for electricity.

If there is anything to be learnt from the state's experience, it includes lessons that delays and divisive arguments are inevitable, and they do not necessarily end when the systems and statutes are in place.

Three investor-owned utilities, Southern California Edison, San Diego Gas & Electric and Pacific Gas & Electric, supply 10m customers, 70 per cent of the state's total. A further 30-odd municipal suppliers with statutory rights beyond the reach of Sacramento's lawmakers – and with lumbering bureaucracies to support – have been excluded from the first stages of deregulation.

More in hope than expectation, some 300 electricity marketing companies set up shop in the state in the 12 months before deregulation day. Only 55 have since formally registered actually to sell power.

The laws of supply and demand officially supplanted the rules of monopoly in the state on March 31, and 10m power customers woke up the next day to observe that the lights in their refrigerators continued to blink dutifully on and off as the doors were opened and closed. Little, it seemed, had changed.

The right to choose a new supplier, an option opened last summer, had been exercised by fewer than 40,000 people. Of big commercial consumers, which account for two-thirds of the state's power consumption and were expected to be the biggest and earliest beneficiaries of the free market, only 10 per cent had switched to new suppliers.

A statutory 10 per cent reduction in rates for residential and small business consumers, in force since January 1, was still making no discernible impact on bills. Californian electricity remains up to 50 per cent more expensive than the national average.

"True" competition, says David Sokol, chairman of Calenergy, an international generating plant operator, will not emerge in the state until 2002. That is when the incumbent utilities should have recovered $28bn in "stranded" costs.

These refer to past investments, particularly in nuclear power, which were guided by public policy but which are uneconomic under free market conditions.

That is also when Calenergy, with 10 Californian generating stations supplying wholesale power to the main utilities, plans to join the retailing fray.

In the meantime, bills will continue to show two extra items: the "legislated 10 per cent reduction", and the "Trust Transfer Amount" which, a footnote explains, "recovers the financing cost associated with the required 10 per cent discount", and will add $300 to the average annual bill.

The theory behind the TTA levy is that it levels the playing field for the incumbent utilities, enabling them to compete on equal terms with incoming power retailers which are not burdened with the stranded costs.

But one reseller complains that it puts the utilities in the driving seat. "All that money spent [lobbying legislators] in Sacramento bought them more time to get in shape before competition really starts," he says.

Since the utilities fostered deregulation through its infancy, some critics say they have already had time enough to improve competitiveness.

While ambitious power retailers are spending millions building up brands and consumer awareness, the established utilities with household names have no such constraints.

But they have opponents other than commercial rivals. A rearguard action against the levy was launched last month when consumer activists began collecting signatures to support a ballot initiative to scrap it.

Backed by Nettie Hoge, who rattled the insurance industry with a 1988 proposition that resulted in $2.5bn in rebates for consumers, the Utility Reform Network calls enticingly for a blanket 20 per cent rate cut and the repeal of the "bailout tax".

"The utilities ramrodded the bailout through the legislature, and the impact for customers is just showing up," says Ms Hoge. "Now's the time the utility barons should start worrying."

Although the initiative's referendum prospects are not yet clear, it reflects a rising awareness that upfront benefits for consumers are slim at best.

While ambitious power retailers are spending millions building up brands and consumer awareness, the established utilities have no such constraints

The political difficulties implicit in dealing fairly with stranded costs comprise the biggest obstacles to a speedy transition to the free market at both state and federal level.

Utilities in less populated areas or those with plentiful supplies of cheap power, such as hydroelectric operators in the north west, want the process accelerated. Others, as in California, are pressing on the brakes.

So far, the utilities are having their own way. In Pennsylvania, stranded cost levies will not be lifted until 2007. In Illinois, customers must pay a switching tax if they want to change suppliers. In Massachusetts, the only company so far allowed to compete with the existing utilities is run by local notables including the man who ran the state's deregulation pilot programme.

Independent companies want a firmer federal hand. Calenergy, which last year bought Britain's Northern Electric, principally to gain experience of working in a deregulated environment, advocates the British approach.

"With UK deregulation there seemed to be a better recognition of the necessity for customers and utilities to share the benefits," says Mr Sokol. "In California, the agencies have chosen to protect the utilities." Customers receive a "pretend" benefit, which they must finance themselves.

The grand design should come from the federal government and be overlaid on the "patchwork" of state markets, he says.

Although Mr Sokol acknowledges the differences of scale and politics, he believes the UK's application of one level of national legislation and its "aggressive" handling of the utilities had worked well. If the US free market was to function effectively, the federal framework legislation had to recognise that electricity was a "national commodity" to be regulated as such.

According to Mr Sokol, the state of affairs in California is one of "transition rather than competition". While its enterprise in pressing ahead with deregulation will serve as a helpful catalyst to others, he says, he doubts they will adopt it as a template.

If it is, and especially if California's free-market model is endorsed by Washington, many of today's hopefuls bidding for an early shot at the entrenched utilities may find themselves left out of the picture altogether.

OBSERVER

Putting Percy under pressure

Has Percy Barnevik, often top of the pops in polls of Europe's most admired managers, found yet another fan? Maverick Swiss financier Martin Ebner has just popped up as a big shareholder in ABB, the Swedish-Swiss engineering giant on which Percy's reputation is founded.

Ebner's arrival could be a vote of confidence in ABB's globe-trotting, lecture-touring chairman. If analysts' estimates are to be believed, ABB is one of the few quality recovery stocks still left around. However, Observer suspects that Ebner, 52, has not spent close to SFr2bn on ABB shares just to join the Percy Barnevik fan club.

For a start, Ebner's record in creating shareholder value is arguably better than that of 57-year-old Barnevik; the latter's first year as chairman of Investor, the quoted investment arm of Sweden's immensely wealthy Wallenberg family, and one of ABB's biggest shareholders, hasn't been a rip-roaring success. Despite his efforts to ginger-up performance, Investor has lagged the Swedish market.

Barnevik's record as a standard-bearer of good corporate governance also looks a mite threadbare when held up against ABB's old fashioned capital structure which allows a few shareholders, notably the Wallenbergs, to exert a disproportionate influence.

And could there be a touch of jealousy at work? The last shareholders' report from Ebner's BZ Trust included an item on Barnevik's ideas for creating shareholder value. It said they might bring a smile to the face of Ebner's followers. The implication was clear: Barnevik was getting credit for ideas Ebner pioneered years ago.

Friends in need

Only two people dared interfere with the elaborate choreography at the coronation of Gerhard Schröder as the Social Democrat challenger to chancellor Helmut Kohl. One was Schröder himself, whose speech was at least 40 minutes longer than the allotted hour. The other was former SPD chancellor Helmut Schmidt, who also spoke far longer than prescribed by the organisers.

So hungry for power is the SPD that activists decided, for once, to forget old feuds and follow orders. Schröder and his old friend and rival Oskar Lafontaine, the party leader, put on such a display of unity that they appeared to be taking part in a three-legged race as they progressed into the hall. "We are not twins. But we are a damned good team," Schröder assured the crowd. The question is for how long?

Although Schröder heaped lavish praise on his party leader, theirs is a partnership of convenience rather than friendship. In his speech, Schröder deferred far more readily to Helmut Schmidt than Lafontaine.

Since losing power in 1982, Schmidt has become convinced that one of his big mistakes was not to hold both the posts of SPD party leader and chancellor. If Schröder really is a disciple, Lafontaine had better watch out.

Magellan sails on

Fidelity Investments' giant Magellan fund never does things by halves. Remember former manager Jeff Vinik's ill-timed decision to switch 20 per cent of the world's largest mutual fund into bonds? Under new manager Robert Stansky the massive mutual has recovered its poise – but it's still placing big bets.

When Citicorp announced plans to merge with Travelers two weeks ago, its shares soared. Citicorp was Stansky's fourth-largest investment – a stroke of luck which would put Magellan comfortably ahead of the index. Until, that is, Cendant announced it would have to restate its profits and saw its share price tumble. No prizes for guessing Stansky's fifth-largest investment.

Full steam ahead

Titanic, the film which sailed off with 11 Oscars, is sweeping China. People are flocking to see lots of rich westerners drowning even though, at 70 yuan per ticket, it's the most expensive film ever screened in the Middle Kingdom.

The boating blockbuster has also won adulation from an unusual quarter. President and Communist Party general secretary Jiang Zemin was given a special viewing by the co-producers – Rupert Murdoch's Twentieth Century Fox and Viacom Paramount. He's told his comrades in the politburo to see it too.

The critical acclaim, rare presidential tributes and the film's box office success stand in sharp contrast to the fate of two other "unfriendly" movies about Tibet by Walt Disney Corporation and Sony. Neither is being shown in China. But then Murdoch has never made a secret out of his amicable leanings toward Beijing. He must be glad that the film – like the liner – went down well.

Plucky

Stúrovo, a little town nestled on the Danube in Slovakia, may not yet have a Nobel Peace Prize to its name but it might yet pick up a nomination. The citizens last year united to beat off the Bratislava Mafia. Yesterday they were defying the might of prime minister Vladimir Méciar, who recently cancelled a nationwide referendum on Slovakia joining Nato.

Stúrovo folk wanted to vote anyway and the mayor went ahead with a local referendum, despite the PM declaring the move illegal. Despite Méciar and bad weather, polling yesterday was said to be heavy.

The Financial Times

100 years ago

The Cuban Crisis

Day by day the prospect of war between the United States and Spain is becoming more imminent, and it seems as if only a miraculous intervention of Providence could now prevent the outbreak of hostilities. Unfortunately the Senate and the House of Representatives have arrived at unanimity in regard to the resolutions to be submitted to the president. The only hope left was that a prolonged squabble might arise between the two Houses. The Senate, as might have been expected from such an utterly incompetent legislative body, which would be ludicrous were its actions not so mischievous, was determined to declare the Cuban junta a responsible government.

50 years ago

Elections in Italy

Rome, April 19. Christian Democrat candidates, spearhead of the anti-Communist parties, held the lead for some hours after counting began in the Italian general elections in which, it was estimated, 87 per cent of the electorate voted. Premier Signor de Gasperi's Christian Democrat Party organ, Il Popolo, came out tonight with a special edition with big headlines: "First results of great victory."

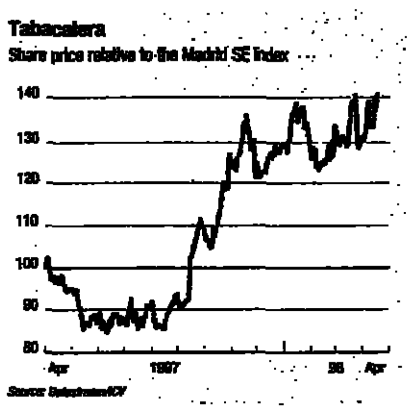
FINANCIAL TIMES

MONDAY APRIL 20 1998

THE LEX COLUMN

Puffing bulls

For a whiff of stock market hype, look no further than Tabacalera, the Spanish tobacco company, whose full privatisation will be complete next week when the government sells its 52 per cent stake. Its shares have handsomely outperformed a market which itself has roared ahead by some 43 per cent since January.



To be sure, Tabacalera has a good story to tell. Earnings growth is expected to average over 20 per cent a year for the next two to three years, as tobacco prices are raised to bring Spanish taxes in line with the rest of Europe. Furthermore, full privatisation will free the company to implement its cost-cutting plans.

But this is still a tobacco company, with the bulk of its turnover in a mature market facing declining sales. As such, a share price rating of around 28 times this year's earnings looks unsustainable. Valued on multiples of enterprise value to earnings before interest, tax, depreciation and amortisation, it is trading at a premium of well over 50 per cent to Seita of France.

It is not alone in its fancy rating. The market p/e is close to 25. Spain's strong macro-economic fundamentals have played their part in spurring on equities. But another factor, the scarcity of new paper, should fade away with a huge volume of shares, including Endesa's Pta1,366bn ($8.870bn) share offering, to be unleashed later this year. With appetites about to be sated, the Spanish bull market cannot have much further to run.

Canadian banks

Two banks to merge. Cue in joyful hymn about cross-selling, critical mass, higher returns. Pan to shareholders rejoicing. Erect suitable backdrop to celebrate the planned merger of Canadian Imperial Bank of Commerce and Toronto Dominion Bank.

It is a familiar tale, but while the issues may be similar to in the US, the context is not. The Canadian regulatory climate still frowns on big mergers, with the government's policy review to report in September. Then there is the politics: unlike the US, where bank chiefs can lay waste to their staff, the same is not true in Canada. Banks are peculiarly unpopular, despite customers getting a reasonable deal. Hence the CIBC/Toronto deal is cloaked in national interest arguments, with shareholders barely getting a mention.

The fall in bank shares on Friday was a case of "buy the rumour, sell the fact". In fact, CIBC and Toronto shareholders should benefit from a deal which is a good combination of products and management. So should consumers, especially as the country is faced with two mergers after the earlier announcement from Royal Bank and Bank of Montreal. This competitive element should ensure that cost benefits do not flow solely to shareholders.

Theoretically, finance minister Paul Martin could veto these deals. More likely, he will do the right thing, while extracting some high visibility concessions about maintaining jobs and service.

Russia

Even the best laid plans can go awry, although Boris Yeltsin's intemperate dismissal of his prime minister and cabinet hardly falls into that category. With the Russian Duma for the second time rejecting his prime ministerial nominee, Sergei Kiriyenko, investors may be forgiven a certain unease. A third rejection, provoking elections, would prolong uncertainty and impede important reforms. But such an outcome is unlikely, with communist opposition likely to melt away as instincts for self-preservation come to the fore.

Nonetheless, the spectacle of further horse-trading before the next vote will depress investors. It was the opaque politicking holding up reform that led Mr Yeltsin to take radical action in the first place. Since the dismissal of Victor Chernomyrdin last month, the Russian stock market has fallen around 7 per cent. It is down more than 20 per cent since the start of the year. Yields on treasury bills have moved back above 30 per cent.

In the context of a highly volatile market this is not earth-shattering. But earlier equanimity in the face of political turmoil has been unsettled. Restoring investor confidence will require more than just a positive vote for Mr Kiriyenko. He will need to prove he is his own man. Going ahead with the Rosneft privatisation will be a good early test. But tackling the main economic problems and fiscal laxity will be the real challenge.

Latin America

Latin American governments have long regarded privatisation as a good way to fill their coffers. Suddenly, the family silver is being left on the shelf. A Brazilian electricity distributor, Venezuela's giant aluminium producer, and Ecuador's telecoms company have failed to attract buyers in the past few weeks.

Asia's crisis is one explanation. It has raised risk premiums across emerging markets, leading bidders to become pickier. Brazilian 10-year bonds now trade at a 4.5 per cent premium to the equivalent US Treasuries, 30 per cent higher than last summer. In Venezuela's case the difference is 55 per cent. These higher interest rates also affect buyers who want to finance their acquisitions in local currency to match assets and liabilities.

But governments must take some of the blame. They have been reluctant to adjust sale prices to the new climate. Venezuela insisted on a minimum price of $2.1bn for its loss-making aluminium company, even though adviser Merrill Lynch recommended $1.8bn. In both Venezuela and Ecuador, bureaucratic inexperience and union opposition created uncertainty. Brazil is selling companies with complicated structures and regulatory constraints.

This matters. All three countries are relying on privatisation receipts to finance big trade and budget deficits. Brazil hopes to raise $25bn in 1998 alone. If the sell-offs stall, the consequences could be severe.

British Steel to cut costs by paying suppliers in euros

By Simon Kuper

British Steel plans to pay some of its UK, Australian and Brazilian suppliers in euros instead of pounds and dollars.

The move could help push other UK companies into embracing the euro for domestic use, ushering in a British economy that operates in two currencies.

British Steel receives much of its income in continental European currencies and has been hit exceptionally hard by their decline against the dollar and the pound.

It will not force suppliers to accept payment in euros, but smaller companies will be anxious to please such a behemoth, although many of them which were previously barely exposed to exchange rate risk would become vulnerable to moves in the euro against sterling.

"Larger British companies will use the euro to pay suppliers or expect their customers to pay them in euros, creating a cascade effect," said Jeremy Wagener, director general of the Association of Corporate Treasurers.

In this way the euro could enter the UK by the back door, even though the country will not join the planned launch of European economic and monetary union on January 1, 1999. Britain is not expected to enter Emu until 2002 at the earliest.

ICI is thought to be the only other major UK company to have said so far that it wants to deal with British customers in euros rather than pounds.

However, Richard Sykes, head of ICI's euro steering group, said: "We would expect quite a lot of other UK companies to follow suit."

Many multinationals are also expected to want to deal in euros in the UK. The British branch of Siemens, the German electronics company, will encourage UK suppliers to accept payments in euros.

But smaller companies may be unprepared for a switch to euros. A survey by the Federation of Small Businesses, published today, found only 4 per cent of companies had consulted their European suppliers and customers over invoicing and payments.

The survey, carried out to assess euro awareness and preparation among small companies, found 33 per cent expected the euro to have a negative effect on their business, while only 18 per cent had "seriously" considered preparing ahead of its launch.

British Steel said it would tell suppliers about its plans to pay in euros "before too long". The company is embarking on a wider initiative to reduce supply costs. It hopes in particular to persuade suppliers of raw materials in Brazil and Australia, where the dollar has long been a key mode of exchange, that "using the euro might actually be an advantage to them".

British Steel believes its move will prevent further losses from exchange rate changes. Chiefly because of the pound's ascent, the company's pre-tax profits shrank from £1.1bn in 1996 to £450m in 1997, with analysts expecting a further drop to £250m this year.

Summit sets 2005 for creation of common market in Americas

By Gerard Baker in Santiago

The leaders of 34 countries in the Americas yesterday promised to press ahead with the creation of a common market in goods and services by 2005 that would embrace 750m people.

The heads of government insisted that their goal of a Free Trade Area of the Americas (FTAA) was realistic in spite of growing doubts about the commitment of the US, by far the largest country in the region, to further trade liberalisation.

"Here in Santiago the ground has been broken for the creation of the largest free trade area in history," said Eduardo Frei, president of Chile, who chaired the second Summit of the Americas.

In two days of discussions the countries of the hemisphere – except Cuba, which was excluded because it is not a democracy – agreed to take steps to combat drug trafficking and called for a co-ordinated effort to improve access to education for all their people.

The FTAA was proposed at the first Summit of the Americas in Miami in 1994. But US President Bill Clinton's failure to secure fast-track trade negotiating authority from the US Congress has since cast doubt on the prospects for further integration of trade in the region.

In an attempt to demonstrate its seriousness about the project, the US, along with other countries at the summit, approved a detailed timetable of negotiations already agreed by trade ministers that would culminate in the signing of the agreement by 2005.

Officials insisted they could continue constructively in the absence of the fast-track authority in the US. By the time the negotiations were concluded, they added, the Congress would have approved fast track.

In an effort to convince sceptical members of Congress that a free trade area would not lead to the export of US jobs to countries with lower labour costs, Mr Clinton persuaded the other summit members to make so-called "civil society" issues, such as protection of labour rights and the environment, an explicit part of the free trade agreement.

In the battle against drugs, the US and Latin American countries agreed to a new system of regional surveillance to ensure all countries take appropriate action to stop the narcotics trade.

The Organisation of American States will oversee a system of multilateral evaluation by which groups of countries would review the progress made by other governments in the region. Over time, officials said, this system would supersede the US certification process by which Washington unilaterally decides whether countries are taking sufficient action and can impose sanctions if it concludes they are not.

The summit leaders agreed on the need to improve education and health services throughout the region and to make progress towards the eradication of poverty. They pledged to earmark funds to achieve universal primary education by 2010.

Clinton fails to sway doubters, Page 3
See Lex

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Russian president Boris Yeltsin (left) and Japanese premier Ryutaro Hashimoto at their weekend meeting. Report, Page 4 Picture: AP

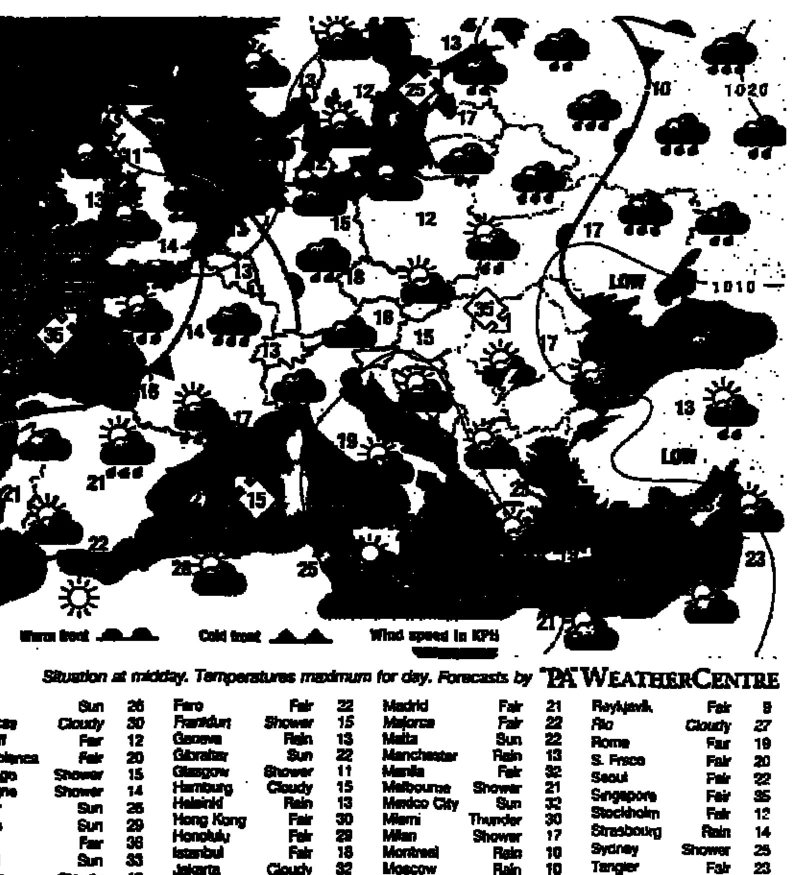
FT WEATHER GUIDE

Europe today

Northern Scandinavia will be wet, with sleet over the higher regions. The south will start bright, but rain will move in later. Rain over France will turn heavy in the north and spread eastwards across the Low Countries, Germany, the Alps and northern Italy. Eastern and south-eastern Europe will have sunny spells and scattered showers, some heavy and thundery around the Balkans. Farther east towards Russia there will be steadier rain. Most of the Mediterranean will be dry with sunshine, but northern Spain will have showers.

Five-day forecast

Much of the Mediterranean will be sunny, but the Iberian peninsula will have heavy and thundery rain on Wednesday with local flooding likely. This rain will spread across much of the Mediterranean by Friday. Western and central Europe will become dry and sunny, but Scandinavia will stay unsettled.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	34
Accra	Fair	33
Algiers	Fair	28
Amsterdam	Rain	13
Athens	Fair	23
Atlanta	Sun	25
B. Aires	Fair	22
B.ham	Fair	13
Bangkok	Fair	35
Barcelona	Fair	20
Beijing	Fair	29
Belfast	Fair	13
Belgrade	Fair	16
Berlin	Fair	15
Bermuda	Fair	25
Bogota	Thunder	21
Bombay	Fair	33
Brussels	Rain	13
Budapest	Fair	15
C.hagen	Fair	12
Cairo	Sun	26
Caracas	Cloudy	30
Cardiff	Fair	12
Casablanca	Fair	20
Chicago	Shower	15
Cologne	Shower	14
Dakar	Sun	26
Dallas	Sun	29
Delhi	Fair	38
Dubai	Sun	33
Dublin	Cloudy	13
Dubrovnik	Fair	16
Edinburgh	Rain	11
Faro	Fair	22
Frankfurt	Shower	15
Geneva	Rain	13
Gibraltar	Sun	22
Glasgow	Shower	11
Hamburg	Cloudy	15
Helsinki	Rain	13
Hong Kong	Fair	30
Honolulu	Fair	29
Istanbul	Fair	18
Jakarta	Cloudy	32
Jersey	Rain	12
Johannesburg	Fair	23
Karachi	Cloudy	34
Kuwait	Sun	39
L. Angeles	Sun	25
Las Palmas	Shower	24
Lima	Fair	27
Lisbon	Fair	21
London	Shower	14
Lux.bourg	Rain	11
Lyon	Thunder	14
Madeira	Shower	20
Madrid	Fair	21
Majorca	Fair	22
Malta	Sun	22
Manchester	Rain	13
Manila	Fair	32
Melbourne	Shower	21
Mexico City	Sun	32
Miami	Thunder	30
Milan	Shower	17
Montreal	Rain	10
Moscow	Rain	10
Munich	Fair	15
Nairobi	Cloudy	28
Naples	Fair	20
Nassau	Fair	29
New York	Sun	17
Nice	Shower	17
Nicosia	Fair	23
Oslo	Fair	13
Paris	Rain	14
Perth	Fair	24
Prague	Fair	13
Rangoon	Cloudy	37
Reykjavik	Fair	9
Rio	Cloudy	27
Rome	Fair	19
S. Frsco	Fair	20
Seoul	Fair	22
Singapore	Fair	35
Stockholm	Fair	12
Strasbourg	Rain	14
Sydney	Shower	25
Tangier	Fair	23
Tel Aviv	Fair	23
Tokyo	Sun	21
Toronto	Fair	11
Vancouver	Shower	14
Venice	Fair	17
Vienna	Fair	16
Warsaw	Rain	12
Washington	Fair	21
Wellington	Fair	15
Winnipeg	Fair	14
Zurich	Shower	16

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FINANCIAL TIMES

COMPANIES & MARKETS

MONDAY APRIL 20 1998 Week 17

INSIDE

Finger-pointing starts at Cendant

The finger-pointing at Cendant has started. Just a day after news of "potential accounting irregularities" knocked nearly 50 per cent off its $30bn market capitalisation, Cendant fired Cosmo Corigliano, a senior vice-president. The problems centre on CUC's membership services business, expected to generate almost 40 per cent of Cendant's 1998 revenues. Market movers, Page 17

SNB launches repo market

Switzerland, which is fast becoming one of Europe's more heavily indebted countries, is launching a repo market in a bid to boost the liquidity in its money markets and give the Swiss National Bank a new monetary policy tool for creating and siphoning off liquidity. Page 18

Focus stays on yen

The currency market's focus will remain firmly on Japan and the yen this week, although expected UK economic data have the potential to surprise sterling investors. UK labour market statistics are due on Wednesday and first-quarter GDP figures on Friday. Page 29

F&CM gets aggressive

Foreign & Colonial Management, the oldest and one of the biggest investment trust managers, plans actively to target trusts run by other-managers that run into trouble. This dog-eat-dog approach springs from the rapid consolidation of the £60bn ($100bn) trust sector. Page 16

Gold Fields suspends unit

The low copper price has claimed a new victim. Gold Fields Namibia has suspended the operations of Tsumeb Corporation and will apply to liquidate it after big losses. Tsumeb employs about 2,000 people at the copper mines of Kombat, Khusib Springs and Otjihase and at a copper and lead smelter at Tsumeb itself. Page 17

Thai market returns to normal

After providing some of the world's best returns last quarter – 53 per cent in dollar terms – the Thai equities market has returned to normal. Since a high was reached in February, the market has slipped back. In baht terms it is now up only 17 per cent on the year. Emerging Markets, Page 19

Owens-Corning puts unit up for sale

Owens-Corning, the Ohio-based manufacturer of glass fibre and other building materials, is putting its glass fibre yarns unit up for sale. It said the arm, the second-largest producer of glass yarns worldwide, had sales of about $300m last year and employs about 1,500 people. Page 17

Battle of the benchmarks hots up

The establishment of a widely recognised benchmark for European short-term interest rates is becoming a pressing issue in the run-up to next month's announcement of the founding members of European economic and monetary union. Two rival groups, Euro Libor and Euribor, are fighting to impose their reference rates. Derivatives, Page 20

VA Tech shrugs off Asia crisis

VA Technologie, Austria's largest engineering group, has shrugged off problems in Asia by increasing its order intake 24 per cent, to Sch12bn ($944m), in the first quarter of 1998. Its order intake last year was flat at Sch44.1bn. Page 17

FT GUIDE TO THE WEEK

– full listings Page 38

BANANA BATTLES
European Union farm ministers meeting in Luxembourg today will continue to try to agree on how the EU should modify its banana import regime. The World Trade Organisation has backed a complaint from the US that the EU unfairly favours Caribbean banana-growers.

CHINESE LEADER VISITS JAPAN
Tomorrow Chinese vice-president Hu Jintao begins a six-day visit to Japan. He will meet senior figures such as Ryutaro Hashimoto, prime minister.

OFF THE MARK
Germany's lower house of parliament is expected to give the go-ahead for the country's participation in the euro currency on Thursday. This means the end of the D-Mark, on which much of Germany's post-war economic strength has depended.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

$22bn float tempts Goldman partners

And not for the first time, say William Lewis and Tracy Corrigan

When partners of Goldman Sachs, one of the world's leading investment banks, meet to discuss whether to float the firm on the stock market it will be a case of going back to the future.

The June 12 meeting in New York will be the seventh time in the past 27 years that Goldman partners have discussed ending their 130-year-old partnership structure. Each time the partners have rejected change, opting to pursue their global investment banking ambitions as a private partnership. While the agenda for the annual meeting is yet to be published, people close to the bank say a flotation will be formally discussed as part of a review of Goldman's capital structure.

The issue was last raised in January 1996 when deep divisions between recently elected and longer-serving partners forced Jon Corzine, chairman and chief executive officer, to terminate discussions before a planned formal vote.

This time, however, senior Goldman partners appear confident that the firm will take the plunge and vote to become a public company. The combination of an extremely strong US stock market, several years of big profits and the rapid consolidation of the financial services industry has pushed several partners to reconsider their opposition.

Since January 1996, the Dow Jones Industrial Average has risen by about 75 per cent, and there has been a sharp increase in the multiples of book value at which securities firms in the US have sold.

Merrill Lynch and Morgan Stanley Dean Witter, Goldman's two leading investment banking competitors, both trade at about 3.5 times book value. Goldman's equity capital stands at $6.3bn, which equates to a rough market valuation of $22bn.

Two years of strong profits have helped boost the capital accounts, and potential payouts, of recently elected partners. Goldman reported record pre-tax earnings of more than $1bn for the first quarter of its 1998 fiscal year. As a result, some partners say conditions for flotation are particularly favourable. Many in the firm see this as a once-in-20-years opportunity to go public, a New York-based partner said. "If we do not do it now, then who knows when the next time might be," he said.

The rapid consolidation in the financial services industry has also contributed to a rethink among Goldman partners. Combinations such as Morgan Stanley and Dean Witter, and Travelers Group's proposed merger with Citicorp, are "rather large plates of food for thought for us", one partner said. Senior partners insist the firm does not intend to give up its independence but having publicly traded equity would bring advantages.

"Goldman needs to go public in order to pursue its ambitious growth strategy and its emphasis on capital-intensive principal activities," says Art Soter, financial services analyst at Morgan Stanley Dean Witter. "Its current unique capital structure could be a hindrance in buying, or merging with, a larger entity."

Yet the stakes are high. A partnership at Goldman, the largest private partnership on Wall Street, is still one of the greatest prizes in investment banking, bringing an estimated annual remuneration of $10m-plus. Some partners could receive pay outs of up to $80m if the firm went public.

As a result, some conflict over the plan is inevitable. "One generation is going to cash out at 3½ times book value, instead of one times book value," said an executive at a rival firm. While strong profits may have assuaged the concerns of recently appointed partners, those who will miss out will be retired partners who have already taken out their money and younger employees who have not yet been made partner.

There are approximately 190 full equity partners, plus another 210 so-called "managing director-lites", who do not own direct equity but enjoy some equity participation. According to sources close to Goldman, they will be involved in the flotation discussions at the June 12 meeting. The MD-lites will, through an incentive programme, be able to share in the flotation bonanza, but senior partners concede that lower-ranking executives would need to be rewarded.

People at the firm say at least one member of the ruling six-person executive committee is against flotation.

The firm is separately examining how it allocates capital to its different businesses. Henry Paulson, Goldman president and chief operating officer, is due to report on this review next month. The concern about whether Goldman has enough capital – and is using it in the right way – to maintain its global position has led some to suggest that change is inevitable, with or without a flotation.

Lazio players celebrate after scoring against Atletico de Madrid in their UEFA Cup first leg semi-final in Madrid on March 31. The Rome soccer club today kicks off a roadshow to publicise its offering of shares to private and institutional investors. Report, Page 19. Picture AP

Ebner increases his stake in ABB

By William Hall in Zurich

Martin Ebner, the Swiss financier, has increased his stake in ABB to more than 5 per cent, in a move that could signal plans to take a more active interest in the international engineering company.

Mr Ebner's BZ Group manages about SFr20bn ($13bn) of publicly quoted investment funds. It has raised its stake in ABB AG, a quoted Swiss holding company that owns half the Swedish-Swiss engineering conglomerate, to 11.61 per cent of voting rights, about four times the previous level.

ABB AG has a market capitalisation of SFr22bn. The stake is believed to be Mr Ebner's fourth-biggest investment after Roche, Credit Suisse and UBS.

Mr Ebner is one of Switzerland's most successful and controversial investors. He takes long-term stakes in a handful of Swiss blue chips, such as Roche, and makes a few big investments in underperforming companies where he takes an active role in gingering up management.

The latter strategy paid off last year when he helped precipitate Credit Suisse's acquisition of Winterthur, an underperforming Swiss insurer, and Union Bank of Switzerland's defensive merger with Swiss Bank Corporation, its smaller but more aggressive rival.

ABB's share price substantially underperformed the stock market in the second half of 1997 because of concerns about its exposure to Asia and the indefinite postponement of Malaysia's Bakun dam project, its biggest order.

Simon Marshall-Lockyer of NatWest Markets, who predicts ABB will double earnings to $2.5bn by 2000, says there is not much that Mr Ebner can criticise about ABB's recovery strategy.

But if ABB's long-promised acceleration in earnings growth to a steady 17 per cent a year fails to materialise soon, Mr Ebner may present a problem for ABB's new management team. It is led by Göran Lindahl, who took over from Percy Barnevik, architect of the 1988 merger of Sweden's ASEA and Switzerland's Brown Boveri.

ABB's two biggest long-term shareholders, Sweden's Wallenberg family, which controls 25.8 per cent of the Swedish holding company, and Stephan Schmidheiny, a Swiss financier who controls 14 per cent of the Swiss company, have both been selling their shares.

Last year Mr Schmidheiny left the ABB board and this month Claes Dahlbäck, chief executive of Investor, the Wallenbergs' main investment vehicle, also resigned.

Observer, Page 13

BAe and Dassault expand link

By David Owen in Paris and Alexander Nicoll in London

British Aerospace and Dassault Aviation are to form a joint venture to develop new technology that could be used in their competing combat aircraft, Eurofighter and Rafale.

The venture, expected to be agreed within a few months, will deepen a technology alliance formed between the two companies three years ago.

It will be the latest in the web of links between European defence manufacturers edging the industry towards consolidation following the fall in defence spending since the end of the cold war.

European companies are in the early stages of marketing three competing new aircraft, presenting an obstacle to rationalisation.

Britain, Germany, Italy and Spain are pressing ahead with Eurofighter, while France plans to order Dassault's Rafale and Sweden's Saab is producing the Gripen fighter.

BAe has a marketing agreement with Saab for the Gripen, and is also working with Lockheed Martin of the US on the next generation of joint strike fighter, which is expected to be ordered by the US navy, air force and marines and by the UK's Royal Navy.

Under BAe and Dassault's current informal co-operation agreement 14 French engineers have been working at BAe's plant at Warton, Lancashire, and the same number of British engineers have been based at Saint-Cloud, France.

Dassault said the teams were intended to work on advanced technologies to be used on whatever followed the Rafale and the Eurofighter, but both companies said it was possible some of their work might be used in mid-life upgrades of Rafale and Eurofighter.

The new venture is to produce technology demonstrators for systems that could be introduced in 15 to 20 years, either on the present generation aircraft or on the future offensive aircraft system – the next generation model.

The French government is keen to strengthen ties between Dassault and Aerospatiale, the French state-controlled group which is a partner with BAe in the Airbus consortium. Alain Richard, defence minister, said recently he thought reinforcement of such links was essential.

A rapprochement appeared closer this month with the announcement that two more Aerospatiale executives were to join the Dassault board.

However, a link between the two has long been resisted by Serge Dassault, Dassault's head, who has indicated he would merge with Aerospatiale only if the combined group was privatised.

SIMON DAVIES
GLOBAL INVESTOR

Bond yields can go lower

How low can bond yields go? This is more than an academic question, since it has been the driving force behind the financial market booms. In theory, there is no reason why they should not fall further. When the benchmark Japanese government bond yield went below 2 per cent last September there were gasps of awe, but it continued its decline to a low of 1.55 per cent – and it is still close to its low in spite of recent warnings from a credit rating agency.

In an era where governments are apparently becoming more fiscally responsible and baby boomers are showing an increasing propensity to save, there is the potential for a virtuous circle – increasing demand and declining supply of bonds.

One of the most positive arguments for the bond markets recently has been dwindling supply. An extended economic boom in the US and Maastricht-imposed government slimming in Europe have resulted in a substantial decline in government bond issuance, and this is the largest single category in the bond markets.

JP Morgan estimates that the net issuance of bonds by the 15 largest countries in its Global Government Bond index will fall by $195bn to $246bn in 1998. In the Anglo-Saxon bloc and in Scandinavia there will be an actual reduction in outstanding debt.

David Miles, economics adviser to Merrill Lynch, points out: "I don't see the scope for real interest rates to drop dramatically from these levels. If you look at periods where there have been dramatic changes in the supply of bonds, the impact on real yields has not been marked." The period during world war one in the UK is an obvious example, but current circumstances look a little different.

Even if the reduction in supply does not have a direct impact on yields, the fiscally austere policies that are behind it have a direct influence on inflationary expectations, which drive the bond market.

Of course, a lot of this is already in the market. As the largest, oldest and most liquid index-linked bond market in the world, index-linked gilts provide a reliable proxy for global real interest rates. Since September 1992, yields have dropped by 200 basis points – or 2 percentage points – to their current level of 2.8 per cent.

Michael Hughes, director of Baring Asset Management, argues that a combination of tight fiscal and slack monetary policy has pushed real yields down to the current levels, but it is the supply of savings that will push them down further.

Certainly, there is a strong case for arguing that European economic and monetary union presents a benign combination of events. Under the stability pact, members of Euroland are supposed to aim at a balanced budget, which means no net new issuance of bonds, and austere fiscal policies.

Furthermore, this fiscal constraint is hitting home the fact that governments can no longer afford the old style state pensions.

So they must cut back on their own pension liabilities and persuade taxpayers to fill the gap through increased savings via private pensions.

Under this combination of circumstances, there appears an argument for lower real yields in Europe, even when short-term interest rates start to nudge upwards for the core European countries.

As Mr Hughes says: "I think that we have an environment where the secular influences are now greater than the cyclical influences, as far as bond yields are concerned."

This argues for some kind of new range for real yields. If this new range is, say, between 2 and 3 per cent, you add a 0.5 per cent risk premium and inflationary expectations ranging from 1 to 3 per cent, and that gives a range for bond yields of 3.5 to 6.5 per cent.

That suggests 5 per cent yields are not such an astonishing target, and James Montier, global strategist at NatWest Markets, argues that is where US long bonds should be in a year's time.

Besides, gilt yields in the UK are still not at alarmingly low levels by historical standards. They averaged 3.7 per cent between 1918 and 1950 compared with the current benchmark yield of 5.8 per cent.

Liffe expected to make radical changes

By Edward Luce

The London International Financial Futures and Options Exchange (Liffe) is expected to make radical changes to its structure at a board meeting today, which could include full demutualisation.

The meeting, which follows a decision last week to cut the size of the board from 24 members to 18 and to appoint a full-time chairman with executive powers, comes in response to growing criticism of Liffe's current management.

The *derivatives exchange* is suffering from a tarnished reputation in the light of the *success of a recent* competitive onslaught by Deutsche Terminbörse, its Frankfurt-based rival.

Officials say the board will consider a number of proposals to change its governance structure, including converting Liffe into a profit-making company accountable solely to its shareholders.

Demutualisation would mean severing the link between shareholding and *membership*. At the moment, all shareholders are members and vice versa.

Although Liffe is unlikely to decide on a public flotation, the exchange is planning to increase the proportion of independent directors.

Liffe's structure is considered too cumbersome to be able respond effectively to the nimble and increasingly aggressive tactics of its continental European competitors. At present, Liffe's board is dominated by member-shareholders *whose* interests often diverge from each other and can also clash with the broader strategic interests of the exchange.

In contrast, the DTB, which has formed a strategic alliance with Matif and Soffex, its French and Swiss-based counterparts, separates shareholding from membership. This enables the German exchange to respond more swiftly to new trends in the market and to focus purely on maximising *returns* for shareholders.

Critics of Liffe – including former traders, many of whom have responded to a recent DTB initiative offering six months free access to its screens – say its complex structure has made it much easier for the DTB to steal a march on London.

The fact that Liffe's members are also floor-traders or large-scale employers of floor traders prevented the board from embracing a move to the cheaper – and less labour-intensive – electronic system earlier than it did, say critics.

In addition to changes to its governance structure, Liffe will also agree on reductions to the exchange's budget at today's meeting, in the light of its recent decision to reduce fees from 42p per transaction to 25p. Liffe is also reviewing an earlier decision to move to a larger "open outcry" trading floor at Spitalfields in east London.

F&CM gets aggressive

By Jean Eaglesham

Foreign & Colonial Management, the oldest and one of the biggest investment trust managers, plans to actively target trusts run by other managers that run into trouble. This dog-eat-dog approach springs from the rapid consolidation of the £60bn ($100bn) trust sector.

"We want to grow our investment trust business and we are willing to pay to do this. We would like to be a beneficiary, rather than a victim, *of consolidation*" said Robert Jenkins, who decided the new strategy after being appointed as F&CM's chief executive in January.

"We are not a vulture fund – but if there are beauty parades [to choose a new manager for a trust] or bidding contests we will be in there each and every time".

This aggressive strategy reflects the hard choices that *have been forced* on fund management groups by the shake up within the sector. Some £640m of assets vanished from the sector last year according to NatWest Markets, the first net outflow since 1990, and analysts predict there is a lot more consolidation to come. The *dominant investment trust* sector, the big generalist trusts, could "easily shrink by another 20 per cent" over the next 18 months or so, according to SBC Warburg Dillon Read.

The consequent loss of fees under management means that groups which want to grow their investment trust business, will need to take the F&CM route and pay premiums for assets *from trusts* that are being broken up or are willing to switch managers. The alternative route of exiting the sector altogether may be taken by some groups.

"A number of managers are clearly shell-shocked and I do not think they will have the stomach to stay in there, *especially if they have got* [foreign] owners that are not used to the concept of closed-end funds [such as investment trusts]" said SBC Warburg Dillon Read.

Robert Jenkins: would like to be a beneficiary, rather than a victim, of consolidation

Progressive plans new vulture fund

By Jean Eaglesham

Progressive Asset Management, the "vulture fund" *manager, hopes to launch* a fund in June to target sickly emerging markets investment trusts.

"We are talking to [institutional investors] to see what the lie of the land is with a view to marketing in May and listing in June," said Nigel Wilson, former chief investment manager of the Bank of England who will manage the new fund.

The fund will be a twin for Advance UK, the vulture fund launched last November to target trusts investing in the UK and other developed markets. *Advance UK* has already had a far greater influence on the £60bn *($100bn) investment trust* sector than its £64m market capitalisation would appear to warrant, being involved in shake-ups of at least two big established trusts.

The prospect of another vulture may strike fear into the hearts of investment trust managers – but is likely to cause quiet satisfaction among at least some discontented shareholders. The vultures are the most visible manifestation of a malaise within the sector that has provoked a bout of restructurings, bids and wind-ups.

The heart of the problem lies in the discount between trusts' share prices and the *value of their underlying* assets. The widening of the discount has damaged share price performance over the past few years, causing the average investment trust to underperform the UK stockmarket. It has also attracted predators, drawn to a pot of about £6bn of "unrealised value", that could be realised if all the trusts in the sector were wound up.

The Advance trusts aim to buy into trusts trading on wide discounts and then team up with *discontented* fellow shareholders to per*suade the board to take* action, up to and including wind-up, to narrow the dis*count*.

Making profits with the new vulture fund is likely to prove tougher than with its UK fund, as Progressive admits. The average emerging markets investment trust is on a very wide discount of about 16 per cent.

But forcing such trusts to wind up will not necessarily yield a profit. The assets are often so illiquid that they would *fetch much less than* the stated net asset value in the "fire sale" of assets that *would follow a wind-up.*

Internet access to brokers at Schwab

By James Mackintosh

Instant internet share dealing for UK investors will move a step closer today, with Charles Schwab, the US-owned brokerage allowing investors direct access to its brokers.

But Schwab said direct internet access to the stock exchange's computers would not be available until the end of the year.

Schwab's new system puts investors in *the* same position as the company's call centre staff. Buy and sell *orders from the web appear* on the screens of brokers and are executed almost *immediately. Confirmation* is then sent back to the investor with the price. It will also allow investors to check their portfolio and cash with the broker.

Schwab says the move represents "a new generation of technology". Mark Collier, president of Schwab Europe, said: "I have no doubt that we will change forever the shape of the retail investment market. The undoubted winner here will be the British private share*holder.*"

COMMENT

Italian pay-TV

So there will be competition in Italian *pay-television after* all. Maybe. A long-awaited announcement by RAI and Telecom Italia that they will develop a digital platform to rival Canal Plus's virtual monopoly, *Telepiu, looks a* classic spoiler. The French operator remains under pressure from the Italian government to cut its 90 per cent stake, but attempts by RAI and *Telecom Italia to* snap up a chunk of Canal Plus's stake have stalled on price and control issues.

As the fall in Canal Plus shares showed, the threat to compete head-on *may be more effective*. The prospect of mutually assured destruction through higher content costs, marketing and subscriber confusion could bring the French operator to heel. Then *again* it may not. Canal Plus does have other options. A flotation is conceivable. Other Italian media groups could buy the *stake* if competition authorities permit. *The* Berlusconi-controlled Mediaset – in on-off talks with BSkyB – is one possible purchaser.

If so, RAI and Telecom Italia may be left with the unappetising task of constructing a second platform from way behind in the race. Telepiu has already locked up many of the most desirable football and film rights, and consequently enjoys a growing subscriber base. The experience of TPS in challenging Canal Plus in the French *market suggests they* should be prepared for steamy losses ahead.

Argos/GUS

When the history of memorable bid battles is written, the latest snippet from Argos on recent trading might merit a footnote. It is debatable whether the content of the announcement will have much impact on Argos shareholders, weighing up a final 650p offer from GUS.

But allowing the announcement *in the first place* is arguably more important. Takeover panel consent was needed, because as it comes after day 39 in the bid battle, when both sides are supposed to *silence their guns. The* Argos update relates in part to trading days after this date, so it is not a case of it slipping out helpful information it has belatedly *discovered. This* would clearly be wrong. Still, a precedent has been set, which the panel may live to regret. Bid battles could get a whole lot noisier.

Argos in last-ditch defence against GUS

By James Mackintosh

Argos, the catalogue retailer, at the weekend launched a last-ditch defence against *Great Universal Stores'* hostile £1.9bn ($3.2bn) bid after negotiating an unusual exemption from competition rules.

Argos announced sales up 13.3 per cent on last year in the three weeks to April 11, higher than the previous three months' figures. Like-for-like sales were up 7.3 per cent, against 4.8 per cent in the three months to March 21.

The company persuaded the Takeover Panel, which *regulates bids, to* relax its rules to allow the figures to be published – new *announcements* are usually banned after day 39 of a 60-day bid. In return, GUS has been given the opportunity to increase its 650p-a-share offer or extend Friday's deadline for acceptance of the offer.

But GUS dismissed the figures as "misleading". Lord Wolfson, chairman, pointed out that the dates chosen for the new figures included Easter Saturday – a boom time for retailers – but this year excluded two of the worst days, Easter Day and Easter Monday. Last year's figures suffered through the *early Easter.*

CRÉDIT NATIONAL

US$100,000,000
Subordinated collared floating rate notes 2005

For the period 20 April 1998 to 19 October 1998 the notes will bear interest at 5.47266% per annum. Interest payable on 19 October 1998 will amount to US$27.67 per US$1,000, US$276.67 per US$10,000 and US$6,916.83 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

FORD CREDIT
AUTO LOAN MASTER TRUST
Series 1997-1, Floating Rate Auto Loan Asset Backed Certificates
Due April 15, 2002
(ISIN Number: XS0075763150)

In accordance with the terms of the documents governing the above-referenced Certificates, notice is hereby given that the Certificate Rate per annum for the Interest Period commencing *April 15, 1998, to July 14*, 1998, shall be 5.7462500%. The amount of interest payable on July 15, 1998, in respect to each U.S. $1,000 principal amount of Certificates will be U.S. $14.5253431.

THE CHASE MANHATTAN BANK *as Calculation Agent*

April 20, 1998

Euro 500,000,000
Parmalat Finance Corporation B.V.
Guaranteed Floating Rate Notes due 2005
Guaranteed by Parmalat S.p.A.

For the period from April 16, 1998 to July 16, 1998 the Notes will carry an interest rate of 4.70% per annum with an interest amount of Euro 11.88 per Euro 1,000 Note, Euro 118.81 *per Euro 10,000 Note and of* Euro 1,188.06 per Euro 100,000 Note. The relevant interest payment date will be July 16, 1998.

Agent Bank:
BANQUE PARIBAS

GBP 10,000,000
YORKSHIRE BUILDING SOCIETY
Floating Rate Subordinated Notes due 1999

Interest Rate	8.3125%
Interest Period	April 15, 1998 *July 15, 1998*
Interest Amount due on July 15, 1998 per GBP 100,000	GBP 2,072.43

BANQUE GÉNÉRALE DU LUXEMBOURG
Agent Bank

BARCLAYS BANK PLC
DM 350,000,000
Floating Rate Subordinated Notes due 2006

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months from 17th April 1998 to 16th July 1998 inclusive, the Notes will bear interest at 3.83281% per annum.
The interest amount payable per DM 10,000 will be DM 96.88 and per DM 100,000 will be DM 968.85 on 17th July 1998.

AGENT BANK:
BARCLAYS

US$150,000,000
Espirito Santo Financial Holding S.A.
Floating Rate Notes due 2000

Notice is hereby given that for the three month period from April 20, 1998 to July 20, 1998 the Notes will carry an interest rate of 6.1875% per annum. The interest amount payable on the interest payment date, July 20, 1998 will be U.S. $156.41 for Notes in denominations of U.S. $10,000.

By: The Chase Manhattan Bank London, Agent Bank
April 20, 1998
CHASE

CONTRACTS & TENDERS

Arab Republic of Egypt
Ministry of Electricity & Energy
Egyptian Electricity Authority (EEA)

Two BOOT Power Plants in Suez Gulf and Shark El-Tafriaa

Invitation for Pre-Qualification

EEA is inviting the experienced Independent Power Producers/Developers to implement two BOOT power plants in Suez Gulf and Shark El-Tafriaa. Each BOOT project will be 2 x 325 MW steam units capable of firing both natural gas and oil. The BOOT Project Developer will be required to design, finance, construct, own and operate the BOOT plant for an extended number of years. The developer will sell the electric power to the EEA in accordance with a Power Purchase Agreement and eventually transfer ownership of each plant to EEA at the end of the specified period.

The Request FOR Pre-Qualification (RFPQ) is currently available and can be obtained from the address written below, subsequent to a payment of US$1000 (one thousand US dollars) in Cash or a *Cashier Check Payable* to the Egyptian Electricity Authority, Account No. 880/90/14 National Bank of Egypt (Main Branch), Cairo, Egypt.

General Director of Central Purchases.
Egyptian Electricity Authority.
Abbassia, Cairo - Egypt.
Tel:2616537 Fax:2616512/4011630

The pre-qualification documents prepared in response to the RFPQ must be submitted to EEA before 12.00 Noon on Thursday 30/7/1998. The submitted documents will be evaluated by EEA to establish a short list of qualified developers. EEA will send the Request for Proposal (RFP) to the short listed developers inviting them to submit their proposals for the intended BOOT projects.

NOTICE TO BONDHOLDERS
Macronix International Co., Ltd.
US$210,000,000
1% Convertible Bonds Due 2007
"Notice of Consolidation Date and Suspension Period"

NOTICE IS HEREBY GIVEN that the Board of Directors meeting will be held on May 4, 1998. The Consolidation Date will be April 23, 1998. The Conversion Right relating to the Bonds is suspended from the close of business on April 23 to the Record Date, 1998.

By: The Bank of New York *as Trustee*

Italian pay-TV

rgos in last-ditch defence against GUS

CONTRACTS & TENDERS

Arab Republic of Egypt

NEWS DIGEST

GLASS FIBRE YARNS

Owens-Corning puts non-core unit up for sale

Owens-Corning, the Ohio-based manufacturer of glass fibre and other building materials, is putting its glass fibre yarns unit up for sale. It said the division, the second largest producer of glass yarns world-wide, had sales of about $300m last year and takes in manufacturing facilities in South Carolina and Pennsylvania. It employs about 1,500 people.

The sale comes as part of a broader strategy, detailed last year, designed to see Owens dispose of a variety of "non-core" assets, in an effort to reduce debt. It has already sold a number of other units – such as its interest in a resin joint venture and its Pabco unit.

Glass yarns are used in a range of industries – from printed circuit boards, to packaging materials. The US company said it would retain the glass fibre yarns operations that are housed in its reinforcements facilities in Belgium and Ontario, Canada. **Nikki Tait, Chicago**

US BANKING

Merrill hires Barings man

Matthew Greenburgh is to join Merrill Lynch as co-head of the US investment bank's European financial institutions group. Greenburgh is the latest senior executive to leave ING Barings, the Dutch-owned investment bank. At Merrill, he will be co-head with Gary Weiss, replacing Ian Brimecome, who moves to New York to advise the bank's insurance clients globally. **Clay Harris**

COPPER MINING

Gold Fields suspends unit

The low copper price has claimed a new victim, with Gold Fields Namibia announcing it has suspended the operations of Tsumeb Corporation and will apply to liquidate the company after heavy losses. Tsumeb employs about 2,000 people at the copper mines of Kombat, Khusib Springs and Otjihase and at a copper and lead smelter at Tsumeb itself. It was producing 2,500-3,000 tonnes of blister copper a month.

Gold Fields, which bought Tsumeb from Newmont Mining in 1987, said it had lost more than N$60m (US$11.9m) in the six months to December last year and incurred further losses in the first quarter of 1998. Tsumeb's earnings were also hit by a six-week strike in 1996 which cost it N$70m.

A rescue package remains possible. "The government seems to feel it can find someone," said Hugh Robinson, managing director of Gold Fields Namibia. "We believe there will be a rescue operation to buy the business out."

Peter Janisch, chairman, said the application to liquidate Tsumeb would probably be heard in the High Court in Windhoek, the Namibian capital, tomorrow.
Victor Mallet, Johannesburg

JFK AIRPORT LINK

Skanska, Bombardier contract

Skanska of Sweden, Scandinavia's largest construction group, and Bombardier of Canada have won a $1.3bn contract to build, operate and maintain a new light rail link to service New York's JFK airport. The contract, awarded by the Port Authority of New York and New Jersey, was won against stiff competition from a rival alliance between GEC Alsthom, the Anglo-French group, and Flour Daniel of the US.

Skanska, the lead contractor, said it was its largest order. Its share of the project will be $600m, with Bombardier taking $550m and other contractors sharing the balance.

The 13.5km elevated link will provide a service between the airport and Manhattan. Construction is planned to start in September, for completion early in 2003.
Greg McIvor, Stockholm

UK FLOTATION

Menzies Hotels sale postponed

Menzies Hotels, a 21-strong hotels chain, has postponed its share offering on the London Stock Exchange, blaming the volatility of the sector and low offers from institutional investors. The group was aiming to raise £15m ($25m), which would have given it a market capitalisation of about £50m.

Menzies would have been the first hotel company in an initial public offering since Jarvis Hotels, the provincial three-star operator, came to the market in 1996. Nick Menzies, chief executive, who started the company in 1992 and has bought more than half its mainly three-star hotels from receivership, said: "Our flotation marketing has obviously come at a very difficult time and investors require a deep discount on the pricing of any new issue in the sector."

But independent observers said the company could not have chosen a better time to offer shares, considering a recent boom in the hotels sector.

The company said the postponement of the share offering did not mean the cancellation of its plan to buy four hotels leased to the group by the Royal Bank of Scotland for £6.3m.
Arkady Ostrovsky

ALUMINIUM

Indian group defies slowdown

National Aluminium company, India's largest aluminium group, defied a slowdown in the economy and falls in base metals prices to report a 14 per cent rise in operating profit to Rs9.38bn ($236.4m) for the year to March. Revenues were up 8.34 per cent to Rs19.84bn.

Net profits advanced 12 per cent to Rs5.51bn but fell short of most analysts' expectations. Earnings per share rose from Rs3.82 to Rs4.27, and the dividend is expected to exceed the Rs0.60 a share paid last time.

According to S.N. Johri, chairman, "the export income was up 6.6 per cent to Rs6.8bn. We sold a record volume of 474,000 tons of alumina to foreign parties in 1997-98. There was a marginal fall in the export of aluminium to 55,500 tons. But since we get a good premium over the LME prices because of the quality of our metal we lifted our earnings from metal export." **Kunal Bose, Calcutta**

HK FUEL DISTRIBUTION

Fortune Oil to expand

Fortune Oil, the Hong Kong-based investment and fuel distribution group listed in London, will today announce a $75m project to build a large oil storage facility in China. Its Maoming Kingming unit has signed a letter of intent with Maoming Petrochemical Corporation (MPCC) to invest in the facility, which is to be capable of storing 1m cu ft of crude oil.

MPCC, which holds a 30 per cent stake in Maoming Kingming and a 2.5 per cent stake in Fortune, is one of China's largest refineries, with annual refining capacity of 8.5m tonnes. MPCC would be the main user of the proposed facility. Maoming Kingming operates China's first single point mooring facility, used for discharging oil from large carriers.

Fortune, whose main focus is China, is also setting up a network of petrol stations in the country and is involved in other energy infrastructure projects there. **Virginia Marsh**

The finger-pointing starts at Cendant

Accounting problems at the newly formed group have left it struggling to appease investors, says **Daniel Bögler**

Market movers

The finger-pointing has started. Just a day after news of "potential accounting irregularities" knocked nearly 50 per cent off its $30bn market capitalisation, Cendant went to the trouble of firing Cosmo Corigliano, a senior vice-president – even though he had already resigned from the direct marketing company a week earlier. Mr Corigliano had been chief financial officer of CUC International, the marketing and membership club business whose $14bn merger with franchising group HFS created Cendant last December.

The accounting problems, which are expected to knock $100m to $115m, or 10–13 per cent, off profits in both 1997 and 1998, centre on CUC's membership services business, expected to generate nearly 40 per cent of Cendant's 1998 revenues.

Kirk Shelton, CUC's former chief operating officer, and Amy Lipton, the group's top lawyer, resigned on the same day as Mr Corigliano.

Cendant is still being cagey about the nature and extent of the irregularities, partly because it does not know, and an independent investigation by accountants Arthur Andersen has only just begun. However, it appears that CUC overstated profits generated by its membership clubs, such as Travelers' Advantage, which offers discounts on hotel bookings and car rentals.

A 12-month membership costs $49. But in the first year marketing and service costs amount to about $56, according to broker Bear Stearns, producing a loss of $7 for each new member. The payback comes in year two, when the marketing costs for renewing members – two-thirds of the total – drop away, leaving a profit of $28, a 60 per cent margin.

However, that does not seem have been fast enough for CUC. It appears that the company booked a big part of the membership fee up-front, while amortising the costs over a longer period, producing an immediate accounting profit.

If this is what happened, what remains unexplained is how it escaped notice both during the merger's due diligence process and while Cendant was compiling its year-end numbers.

CUC was forced to restate its earnings once before: in 1989 it took a $51m charge after it switched, under pressure from Wall Street, from amortising member acquisition costs over three years to a more conservative one year.

But according to the company, it was only as HFS finance people took control of CUC's accounting systems a fortnight ago that the irregularities came to light.

> **It was only as HFS finance people took control of CUC's accounting systems that the irregularities came to light**

According to one Cendant investor: "It is bizarre that it took them four months to merge such a basic back-office function."

Henry Silverman, Cendant chief executive, is making up for lost time. As the man who built the untainted HFS and made his shareholders rich in the process, Mr Silverman is rapidly taking full control of the company.

By contrast, the position of Walter Forbes, Cendant chairman and long-time boss of CUC, looks increasingly untenable. The relationship between the two men, who were expected to switch jobs two years from now, is already deteriorating.

Investors will undoubtedly expect heads to roll after such a calamitous drop in the share price, and some have already filed class-action lawsuits against Cendant. But there is a danger that in his attempts to appease investors, Mr Silverman will try to force CUC's laid-back culture into a more rigid straitjacket.

Disgruntled CUC executives are already starting to ask whether he is using this incident as a pretext to mount an "internal take-over" of CUC. A widening gulf between employees of the two companies could eventually undermine the cross-marketing benefits on which the merger was based in the first place.

And there is a more immediate problem. Cendant's most valuable currency for making acquisitions, its highly-rated stock, has disappeared overnight. Even using newly downgraded brokers' estimates, the group's prospective price/earnings ratio has shrunk from more than 30 to around 17 – a discount to the US stockmarket average. With a reasonably strong balance sheet, it should still manage to complete its $1.3bn cash acquisition of National Car Parking in the UK.

However, there is now a big question mark over the high-priced $3.1bn bid for American Bankers Insurance, half of which is supposed to be in stock. Cendant claims it will press ahead and simply issue more of its shares to compensate. Late on Friday, the two companies reaffirmed their commitment to the deal. But at Cendant's current $20 share price, the purchase would dilute earnings, something Mr Silverman has promised not to do.

Cendant's reliance on acquisitions for growth will now be tested to the limit. American International Group, which lost to Cendant in the battle for American Bankers, bitterly described its rival as "a shark who has to keep swimming to avoid sinking". Mr Silverman will certainly be paddling furiously in the next few months.

VA Tech shrugs off Asia crisis

By William Hall in Zurich

VA Technologie (VA Tech), Austria's biggest engineering company, has shrugged off the problems in Asia by increasing its order intake 24 per cent, to Sch12bn ($944m), in the first quarter of 1998.

Last year, its order intake was unchanged at Sch44.1bn but VA Tech said it expected this would grow this year in spite of the financial crisis in Asia – a region that has accounted for 20 per cent of its order intake over the past three years.

However, VA Tech has warned that its earnings will be flat in the current year. Last year, it increased net income 7 per cent, to Sch1.5bn – almost half the average growth rate of the past five years.

A strong performance in metallurgical engineering and energy and environmental engineering, two of its three core businesses, was offset by a 20 per cent drop in profits from plant engineering and services.

The dividend rose 7 per cent to Sch32 a share, compared with an average increase of 15 per cent a year between 1993 and 1997.

Evikhon to float on Russian stock market

By Arkady Ostrovsky

Evikhon, a private Russian oil group partly owned by two quoted UK companies, is to be floated on the Russian stock market, according to Vadim Varshavsky, the new president.

The Russian company has a 50-50 joint venture with Royal/Dutch Shell to develop Salym fields in western Siberia, which have proven recoverable reserves of 1.25bn barrels of oil.

Sibir, which is merging with its former UK parent Pentex, holds a 20 per cent stake in Evikhon and 26 per cent in Ugraneft, its associate. Dana Petroleum, another UK explorer, holds 10 per cent of Evikhon.

Mr Varshavsky said the flotation – possibly by the end of the year – could give Evikhon a market capitalisation of up to $2bn. Western shareholders said the figure was unlikely to top $1bn.

The appointment of Mr Varshavsky, 36, at the annual meeting last week, is part of a management shake-up that has resulted in the resignation of Valeriy Churilov, chairman. Mr Churilov has been replaced by Vladimir Shumeiko, former chairman of the upper house of parliament.

"Shareholders asked me to resign because I did not manage the company adequately," Mr Churilov said.

Mr Varshavsky is to lead a restructuring of the group – which has also been involved in cigarette imports – aimed at concentrating on oil production.

He promised transparency would be high on his agenda. "We must change the traditional attitude to shareholders in Russia as people who must give money and never ask any questions after it disappears," he said.

Mr Varshavsky also said he would propose a merger between Evikhon and Ugraneft. Evikhon has a 24 per cent interest in Ugraneft.

Evikhon and Ugraneft were created by Mr Churilov, a former Soviet chief in the oil-rich Khanty-Mansiysk region in western Siberia.

To finance the region's development, Evikhon was given tax breaks by the Russian government to import tobacco products under licence from Philip Morris. But in 1996, the government cancelled the tax break on tobacco imports and froze Evikhon's accounts, demanding a full payment of accumulated duties.

Last month, Evikhon unveiled liabilities of $180m connected to the tobacco imports, sending the shares in Sibir and Pentex down by more than 25 per cent.

Mr Varshavsky said the frozen account had been reopened and the $180m debt restructured.

The development of the Salym fields, however, depends on a production sharing agreement, which is still to be passed by the Duma, the lower house of parliament.

Mr Varshavsky said he was hopeful the main oil from the Salym field would start flowing by 2000. He said the field, which has already consumed about $100m, partly at Shell's expense, requires additional investment of $50m.

Earnings slip at General Motors

By Nikki Tait in Chicago

General Motors' solid performance at its North American operations failed to fully offset a downturn in earnings from the components and overseas businesses, prompting the biggest of the three Detroit-based carmakers to report a dip in first-quarter profits to $1.6bn after tax compared with $1.79bn a year earlier.

After adjusting for the sale of the Hughes defence business, the 1997 figure would have been $1.69bn.

Like Ford and Chrysler, its main US competitors, GM's results were slightly ahead of analysts' expectations. At an earnings per share level, the company made $2.27 on a fully diluted basis, compared with $2.21 (adjusted for the sale of the Hughes defence business). According to First Call, expectations had averaged about $2.25 a share.

But the shares still fell on Friday, by 1\frac{3}{16}$ to 68\frac{15}{16}$, as analysts worried about the effect of rising marketing costs. GM said its North American business notched up $826m after tax, a quarterly record, and up from $764m in the first three months of 1997 – in spite of a highly-competitive marketing environment, where incentives remain at high levels.

Michael Losh, finance director, warned that GM expected incentives to intensify in the second quarter, but anticipated some reduction in the rest of the year.

During the first quarter, GM's domestic market share was held at 30.2 per cent, in spite of having delivered a reduced number of vehicles. GM, which recently raised its cost-cutting target for 1998 to $4bn, said it squeezed out an additional $1.2bn in the first quarter alone.

But these cost-saving were partly offset by the higher marketing expenditure and a lack of volume increase, with the result that the domestic net margin improved only slightly, from 3.1 to 3.2 per cent.

In contrast to the North American result, overseas operations saw earnings fall from $262m to $160m. European business was little changed, making $99m against $94m, but South America and Asia-Pacific turned in a sharply-reduced $61m, compared with $168m.

Caterpillar up 9% after tax

By Nikki Tait in Chicago

Caterpillar, the largest manufacturer of earth-moving equipment, shrugged off the turmoil in Asia-Pacific, to announce record first-quarter results, reporting an after-tax profit of $430m, up 9 per cent over the $394m made in the same period of 1997.

The results translated into fully diluted earnings per share of $1.15, up from $1.03 a year ago, and ahead of analysts' estimates.

Sales rose 12 per cent year-on-year to $4.79bn, with similar rates of increase both inside and outside the US, while volumes increased by a like amount.

Within the domestic market, the sales increase was driven by rising highway spending, higher demand from construction and agricultural-related sectors, and increased purchases by the forestry sector.

By contrast, sales to the metals mining sector declined, reflecting the fall in most prices there.

Machinery sales rose in Europe – excluding the UK, which saw a decline – and in Brazil, Peru and Chile. Canada and Australia also generated increases.

But Caterpillar said that there was a "sharp" downturn in Asia (excluding Japan), and that Japan itself saw a continued decline as recessionary conditions persisted.

Group sales volumes were also down by about 10 per cent between the fourth quarter of 1997 and the latest quarter, largely because of lower machine and engine sales outside the US.

The revenue increase was cited as the main factor behind the first-quarter profit rise. However, Caterpillar acknowledged that operating profit margin on machinery and engines declined by a full percentage point, to 12.5 per cent, compared with the first quarter of 1997.

The fall was attributed to spending on product line extensions and additional product support.

Nevertheless, Caterpillar added that it believed the outlook for the full year had not changed significantly, and that sales in 1998 overall should slightly exceed last year's levels, with the profit result being "near that of 1997".

Japan key to Asia-Pacific

The US manufacturer is not optimistic about the region's performance, writes **Nikki Tait**

In the eyes of Doug Oberhelman, Caterpillar finance director, Japan remains the big imponderable that hangs over the future of the Asia-Pacific region, at least for the medium term.

"Japan is having a rough year . . . There's just no growth there and it is very problematic for the rest of Asia," he said in a recent interview. "How they handle the domestic situation there will have a great influence on the rest of Asia. So we are watching that very closely, but we are not very optimistic this year."

When the Asian turmoil developed last year, Caterpillar was quickly earmarked by Wall Street as a front-line casualty.

At face value, this was hardly surprising: about 15 per cent of the US company's revenues were being drawn from the region, and a downturn in Asian infrastructure work seemed likely to decimate machinery demand there.

To a large extent that has happened – yet the company's structure has offered two protections.

First, sales to end-users are handled via a relatively small number of large dealers, so that machinery, now suddenly surplus, has tended to sit in their facilities, rather than at the company itself.

Second, Caterpillar's Japanese operation, which supplies both the local market and exports into south-east Asia, is a 50:50 joint venture with Mitsubishi, and hence off-balance sheet. This means its results are not consolidated into group profits.

Even so, the strains are obvious. "The import of new machines into Malaysia, Thailand and Indonesia has dropped precipitously," says Mr Oberhelman. "Across those countries, we think the industry could drop by a third to a half before it's all over."

"The vast majority of that product comes out of the Japanese joint venture, which is a $8bn company with 8,000 employees. But that doesn't make it any easier to manage that joint venture. They've got their problems trying to size that business to the current level of activity, and we expect them to give us a return on assets that is acceptable.

"The good thing about the Japanese business is that it was running huge levels of overtime – so that's the first thing that goes away. Many of its inputs are outsourced, so suppliers bear the effect as well."

Digging in: Imports of new machines into Malaysia, Thailand and Indonesia have dropped precipitously

Mr Oberhelman admits that in the region, Caterpillar's dealers – which tend to act on a nationwide basis – are hurting badly: "They are going through some tough times. They have a lot of inventory."

Caterpillar says it is trying to "rechannel" some surplus machines. It also admits to some refinancing of dealer inventories through its Cat financial subsidiary, although Mr Oberhelman claims the company will "do its darndest" not to subsidise the stock.

Still, Wall Street's reappraisal of Caterpillar shares plainly rankles.

"The thing that offends me sometimes is that these short-term Wall Street thinkers think we have never been through this and do not know how to do it," he says.

"This is just one in a litany of these things all over the world. I lived in South America in the early 1980s and went through one that was a lot worse than this is going to be and it wasn't the end of the world. I think if you objectively look at what we're trying to do, assuming no more serious activity than we've seen, we will be all right."

In part, this belief is based on the improving conditions in other parts of the world and the solid US market. But Caterpillar, like many other US manufacturers, is also benefiting from falling materials prices – a trend that the recent economic turmoil has helped sustain.

"1998 will be, I believe, the fourth year in a row that we have seen a net materials' cost reduction," says Mr Oberhelman.

"We are not only beating inflation, but we are seeing a net price reduction in the cost of inputs – whether steel, tyres or glass. The only bad news is that we do not have much of an inflationary environment for our product."

SNB to start trading repurchase agreements

By William Hall in Zurich

Switzerland, which is fast becoming one of Europe's more heavily indebted countries, is launching a repo market in a bid to boost the liquidity in its money markets and give the Swiss National Bank a new monetary policy tool for creating and siphoning off liquidity.

The Swiss National Bank, the country's central bank which has led the initiative, will starting trading today a simplified repo, known as RepoLight, with a limited number of banks.

The new instrument will replace the SNB's traditional swaps with federal money market debt register claims (MMDRCs), and a full repo market will be launched at the end of September.

Switzerland is one of the last financial centres to introduce a market for repurchase agreements (repos) which allow banks to borrow money on their securities portfolios provided they repurchase the paper at a future date.

A combination of tax and legal disadvantages, the low borrowing needs of the Swiss government, and the dominant role of the big three Swiss banks in the Swiss money markets, has delayed the introduction of a Swiss repo market.

However, the Swiss government, keen to strengthen Switzerland's position as a financial centre, has decided that repos will not be subject to stamp duty and has revised the banking law to allow the SNB to enter into repurchase agreements.

Meanwhile, the imminent merger of UBS and Swiss Bank Corporation, two of the big three Swiss banks, threatens to reduce the pool of liquidity in the Swiss money markets and the SNB has been pressing for the launch of a repo market to widen the number of participants with which it can deal.

Sega, the Swiss securities clearing system controlled by the Swiss banks, will manage the securities of the repo participants and eliminate settlement risk. It will also be possible to trade repos on the Swiss stock exchange.

The US, which has a $2,000m repo market, accounts for 70 per cent of the worldwide repo business and most European central banks use repos as their chief monetary policy instrument. It has been estimated that the Swiss repo market could reach SFr5bn-SFr10bn ($3.3bn-$6.7bn) within a year.

However, it will partly depend on the SNB's enthusiasm for making the repo market its chief monetary policy instrument.

At the moment it meets the basic long-term liquidity requirements of the banking system by means of foreign exchange swaps. This is an extremely liquid market but has a limited number of participants and exposes the SNB to counterparty risks.

The growth of a repo market, permitting transactions as small as SFr1m, should increase the number of participants with which the SNB can deal.

Lazio kicks off roadshow for offering

By Paul Betts in Milan

Lazio, the Rome soccer club, will today kick off its roadshow to publicise its offering of shares to private and institutional investors.

The club, currently third in the premier Serie A league, will be the first Italian team to offer shares on the stock market.

After receiving the go-ahead from Consob, the Italian stockmarket watchdog, the club owned by the Cirio tomato sauce and food group plans to offer 20m shares in the L4,500 to L6,500 a share price range.

At the highest end, the offering would raise L130bn ($73m) and give the club a market capitalisation of between L200bn and L290bn.

The operation involves the issue of 10m new shares and the sale of 10m existing shares. An additional 2.5m shares will be offered in a so-called "green shoe" option in the event of heavy demand.

Once the operation is completed, nearly 50 per cent of the club's shares will be in the market, although Sergio Cragnotti, chairman and controlling shareholder of Cirio, will retain control.

The club, whose president is Dino Zoff, the former Italian goalkeeper, will take its roadshow to Milan, Rome, London and Edinburgh before pricing the shares at the end of the week.

The shares will be on sale on April 27 and April 28 and the club, advised by the Rome IMI investment bank, hopes to make its debut on the stock market on May 4.

The offer's short timetable reflects the club's anxiety to complete the move before it plays AC Milan in the Italian cup final on Wednesday April 29 and InterMilan in the final of the UEFA cup in Paris on May 6.

In its prospectus, Lazio warned of the risks of investing in a soccer club because stock market performance could clearly be influenced by its performance on the pitch.

It also stated that Mr Cragniotti was involved in various judicial cases concerning alleged fiscal irregularities and falsifying accounts.

The club reported it had made a meagre net profit of L251m on revenues of L77.35bn in the financial year ending June 1997.

However, Lazio's debut on the Milan bourse has already caused widespread interest and excitement in soccer-crazy Italy and is expected to be followed by other listings of well-known clubs, including Bologna, InterMilan, Juventus of Turin and AC Milan.

Lazio intends to develop revenues from merchandising, sponsorships and television rights along the lines of UK clubs. It expects revenues to increase in its current financial year to between L125bn and L130bn, growing to L164bn in 2000 and L209bn in 2002.

EMERGING MARKETS LAST QUARTER'S WORLD BEATING PERFORMANCE WILL NOT BE REPEATED

Business as usual for Thai market

By Ted Bardacke in Bangkok

After providing some of the highest returns in the world last quarter – 53 per cent in dollar terms – the Thai stock market has returned to normal: "As in normally bad," says one broker.

The bounce came when investors recovered from their shock at the collapse of the Thai economy and recognised that the new Thai government was putting the country on the long road to recovery.

With the current account turning to surplus and the government being praised as the International Monetary Fund's model student, the baht recovered from its low of Bt57 to the US dollar to its current level of about Bt40 to the dollar, magnifying the surge of more than 200 points in the main Bangkok index.

But since a high was reached in February, the market has slipped back. In baht terms it is now up only 17 per cent on the year.

Volume is pitiful and recently, most of the action has been in the single-digit stocks (those priced at less than their Bt10 par value per share, where small movements can generate big gains). Small sales of big capitalisation stocks cause huge jerks in share prices.

"Fund managers made their money for the year in January and February," says Andrew Henderson, managing director of Clarion Securities in Bangkok. "There is no reason to be in the market again until all these companies with no cash sort themselves out."

That process will take months and will not be resolved until several issues that dominate the market are resolved.

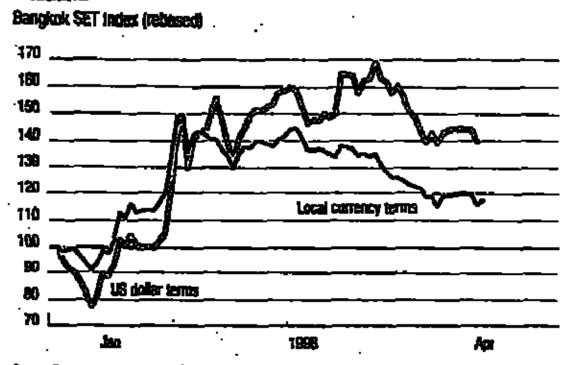
For those making longer-term bets in Thailand, it is still extraordinarily difficult to find proxies that meet the needs of traditional investment schemes, says Dresdner Kleinwort Benson in a recent report.

The main issue is interest rates.

A common assumption had been that once the baht stabilised, as it has, interest rates could be gradually lowered. If anything, the opposite has happened as Thai authorities struggle with the Bt1,100bn ($27.9bn) mess left by the previous government's reckless lending to insolvent financial institutions.

Thailand

Bangkok SET Index (rebased)



Source: Datastream/ICV

To finance that lending, the Thai central bank borrowed heavily from the stronger domestic banks and lent the proceeds to the struggling smaller banks and finance companies.

Although its new lending has tailed off, the central bank does not have the money to pay back its domestic bank creditors and therefore must continue to borrow from them at interest rates of at least 18 per cent.

As a result, Thai banks will not lend to the corporate sector for less than 24 per cent, if at all. The government has pledged to restructure the central bank's balance sheet, but that is not likely to happen until the second half of the year.

Once that restructuring takes place, margins at commercial banks, which dominate the market, are expected to collapse as their risk-free lending to the government disappears. In addition, under new central bank guidelines, banks must make hefty new provisions for growing non-performing loans.

As a result, few brokers expect banks to report any profits in the next two or three years. Any big capital raising by banks – Bangkok Bank is expected to raise close to $1bn in international equity markets following $857m raised by Thai Farmers Bank in late-March – will go straight into provisions.

Even the bright light created by exporting companies, which had become market darlings earlier in the year, is starting to fade. With the baht appreciating, exporters that cut prices and margins to win market share and volume may be caught out if they have not hedged their dollar expenses.

Says one bank treasurer: "The baht may be at a level where it is too strong to really help the exporters and yet too weak to induce major capital inflows."

AIG linked with Aoba Life deal

By Bethan Hutton in Tokyo

AIG, the US-based international insurance group, has reportedly offered to take over Aoba Life Insurance of Japan.

Aoba was set up last year to take over most of the business of Nissan Mutual, a medium-sized life company that collapsed in April 1997. The company was formed with injections of capital from other Japanese life companies in a rescue operation arranged by the Life Insurers Association of Japan.

Neither AIG in Tokyo nor the association would comment on the possible deal on Friday, but observers said it would be a logical step.

"It makes a lot of sense for large international insurers to look at what is going on in the Japanese market as an opportunity to get a foothold in the world's life assurance market," said David Threadgold, financial sector analyst at ING Barings in Tokyo.

The Japanese life sector is effectively insolvent, after years of paying higher returns on policies than investment returns could justify.

Some members of the Life Insurers Association are thought to oppose the idea of a foreign company taking over Aoba, but no domestic group has shown an interest and companies in its corporate grouping, including Hitachi and Nissan Motors, failed to come to the rescue of Nissan Mutual at the time of its collapse.

Eva Airways avoids reporting loss

By Laura Tyson in Taipei

Eva Airways, Taiwan's second largest international carrier, suffered foreign exchange losses last year from Asia's currency turmoil but in contrast to other carriers in the region, passenger volume was only slightly affected.

The company, which plans to list on Taiwan's over-the-counter stock exchange later this year, reported net profits rose 28 per cent in 1997 to US$23m on turnover of US$1.4bn, up 9.4 per cent.

Industry analysts warned, however, that the profits figure was misleading because the carrier sold several of its own aircraft and leased them back again in late 1997 to mitigate paper foreign exchange losses.

This manoeuvre prevented the company from having to post a loss, which could have delayed flotation plans by one or two years.

Eva also announced a code-sharing pact with US West, which should expand its reach in the US.

Like other carriers in Asia, Eva began to feel the effects of the region's financial crisis in late 1997. But apart from a 15 per cent fall in the local currency, Taiwan's robust economy has suffered little damage from the financial crisis that has devastated much of east Asia.

Eva's heavy dependence on Taiwanese passengers, once seen as a barrier to growth, turned out to be a life-saver, as Eva's traffic has been relatively stable through the crisis.

"Taiwanese international carriers – except China Airlines – have not suffered as much as the other regional carriers, because their customer base is mainly from Taiwan," said analyst Josh Davis at CSFB.

Flat first quarter for SGS-Thomson offshoot

By David Owen in Paris

SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, has produced flat first-quarter profits while reiterating its forecast of brighter days ahead.

Net income for the three months to April 4 1998 were $90.2m, little changed from the $90.5m generated in the period to March 29 1997.

Pasquale Pistorio, chairman and chief executive, said business conditions had been similar to those at the end of last year, with excess capacity in the industry and financial weakness in parts of Asia further affecting demand. But he said he expected industry overcapacity to come into balance "some time in the second half of 1998".

The present year should be one of "progressive financial and operating improvements... led by sales of new products, improved product mix, manufacturing efficiencies and price recovery once demand and capacity reach a better equilibrium".

The market reacted favourably to the announcement, with the company's shares ending the week at FFr481.30, an advance of FFr20.30, or 4.4 per cent, in Friday's trading. This compared with a 0.4 per cent gain for the benchmark CAC 40 index.

The company had nothing to say on prospects for a new public offering of its shares. It disclosed last October that it was considering such a step, which was expected to include a primary offering of newly issued shares and the placement of convertible debt, as well as a secondary offering of some 16m shares.

Net sales climbed from $940.5m to $998.3m, while operating income edged ahead from $113.5m to $114.9m. Earnings per share were unchanged at 65 cents.

Mr Pistorio described the first quarter of 1998 as a period of solid financial performance for the company in a difficult environment for the industry. The company was particularly pleased to have achieved first-quarter net income comparable to the previous years.

Year-on-year revenue gains were achieved by all main product groups except memory products, which were hit by "continued industry-wide pricing pressures". By application, the strongest performances came from the automotive and telecoms sectors.

Research and development spending rose 17 per cent year-on-year to $166.4m, equivalent to 16.6 per cent of net revenues. Capital spending registered a substantial increase, rising from $181.9m in the first quarter of 1997 to $295.4m.

CROSS BORDER M&A DEALS

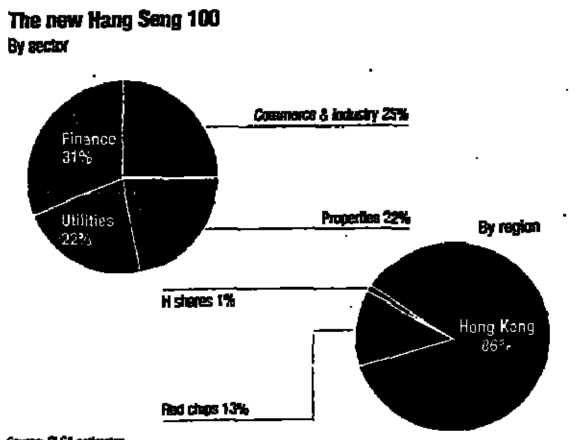
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Allianz (Germany)	AGF (France)	Insurance	$4.9bn	Clear control
C&W (UK)/Telecom Italia (Italy)	Asset swap	Telecoms	$2bn +	Cements relations
Clear Channel (US)	More (UK)	Advertising	$784m	Lobbying MPs
Tech Data (US)	Computer 2000 (Germany)	Cmptr srvcs	$395m	Global milestone
Siebe (UK)	Simulation Sciences (US)	Control systems	$147m	Cash tender
MUI (Malaysia)	Laura Ashley (UK)	Retailing	$72m	40% stake
Ameron Int'l (US)	Unit of Croda Int'l (UK)	Paints	$46m	Focus disposal
De La Rue (UK)	Cellograf (Italy)	Cash systems	$11m	Smart card move
Perkins Foods (France)	Le Magicien Vert (France)	Food	$10.7m	Performance link
Mitsubishi Chemicals (Japan)	Diafoil (Germany)	Chemicals	n/a	Hoechst disposal

Two new indices for Hong Kong shares

By Louise Lucas in Hong Kong

The new Hang Seng 100

By sector



Source: CLSA estimates

Today sees the launch of two new stock market indices in Hong Kong, including a bumper Hang Seng 100 Index that brokers believe will eventually replace the existing index.

While HSI Services, which is responsible for Hong Kong's Hang Seng Index and other indices, has already improved the mix of the benchmark index, the new 100-strong barometer will provide a better reflection of the diversity of the market.

The move is a timely reminder that changes in Hong Kong's political and economic landscape have also had an impact on the stock market. The Hang Seng Index, with 33 stocks, is almost 30 years old and, according to Michel Dominicé, analyst at Crédit Lyonnais Securities Asia, was "showing increasing signs of obsolescence".

Jardine Matheson, the British-controlled conglomerate that played a pivotal role in Britain's seizure of Hong Kong more than 150 years ago, no longer trades its shares in the territory. The departure of the five-strong stable of Jardine companies prompted the first big shake-up of the Hang Seng Index in 1994 and 1995.

In July 1993, the first H-share company – mainland, state-owned enterprises with Hong Kong listings – appeared on the market. In August 1994, H-shares received their own index: today's launch will be the first time H-shares have been tracked within a general index.

However, the real inadequacies of the HSI were thrown up in August 1997, at the height of the red chip frenzy. Red chips, or China-backed Hong Kong companies, were attracting hefty turnover and the Hang Seng Index covered less than a quarter of trading volumes.

The hand-over frenzy was too great for HSI Services to ignore, and at the beginning of this year two of the biggest red chips, China Telecom and Shanghai Industrial, the window company for Shanghai's municipal government, were slotted into the Hang Seng Index.

However, the Hang Seng Index has continued to draw fire. Investors resent the hefty weighting of single companies through cross-holdings: for example, Li Ka-shing's Hutchison Whampoa accounts for about 9 per cent of the index, but its exposure is higher through holdings by other parts of Mr Li's corporate empire.

It also has a strong bias towards big capitalisation stocks: HSBC's weighting accounts for more than one-quarter of the index, which can thus be swung on the bank's performance.

"The Hong Kong market is undergoing profound changes, and questions have emerged as to whether the HSI, as well as the selection criteria determining its position, adequately reflect these changes," said Mr Dominicé.

"More specifically, the bias toward large companies, the over-representation of the banking and property sectors, the too-small coverage of the markets volume and the under-representation of the Chinese issues are the most common areas presented as potential weaknesses of the HSI."

With the launch of its Mid-Cap 50, which has been restructured to prevent overlap with the HSI 100, HSI Services is addressing one of the fastest growing and most diverse parts of the Hong Kong stock market

The moves come at a time when Hong Kong's investor profile is also due for a shake-up. Retail buyers have typically accounted for up to half stock market activity, and performance is heavily driven by sentiment.

Now there are new players: local institutional investors that will be brought in by the pending Mandatory Provident Fund, creating pools of retirement funds.

"The new MPF law will probably require 30 per cent of the funds being invested in Hong Kong dollar assets, creating a large demand for Hong Kong equity benchmarks. We expect domestic investors, like international investors, will prefer the HSI 100," Mr Dominice said.

NCR in $300m Japan deal

By Paul Abrahams in Tokyo

NCR, the US data warehousing and computer group, yesterday announced plans to acquire the 30 per cent of NCR Japan that it does not already own.

The deal, worth more than $300m, could herald a wave of mergers and acquisitions among Japan's second-tier companies, many of which are trading near or below break-up value.

NCR Japan is one of 136 non-financial companies on the first section of the Tokyo stock exchange with net cash. It is also among the 20 per cent of fully-listed companies with a market capitalisation less than 1.5 times their break-up value, according to brokers SBC Warburg.

"At current values and in a normal market, about 40 per cent of Japanese companies would be vulnerable to a takeover because they can be acquired for less than five years' cash flow," said Kevin Hebner, strategist at SBC Warburg. "There remain significant barriers in terms of cross-shareholdings and disclosure, but we expect a few successful takeovers to occur soon."

NCR, based in Dayton Ohio, is offering Y607 per share for the 66m shares. The price represents a premium of 25 per cent over the April 16 share price, and a 30 per cent premium to the average price over the past three months. Nomura, the Japanese broker, is handling the tender, which closes on June 3. The shares peaked in 1986 at Y2,620.

The US company is offering $306m, or about Y40bn, for the outstanding shares. In December last year, NCR Japan had net cash of Y29.56bn ($225m). NCR said that if the tender was completed there would be no restrictions on how NCR Japan's cash could be used.

Last year, NCR Japan posted net profits of Y4.1bn on sales of Y111.14bn. The deal values the whole company at about Y133bn, or 1.2 times sales and 32 times earnings.

NCR said no purchase would be made if less than 15 per cent of the outstanding stock was not tendered. Other leading shareholders in NCR Japan include Mitsui Trust and Mitsubishi Trust.

In a separate move, the US group announced it was launching a $200m repurchasing programme of its own shares.

DERIVATIVES MARKET TO DECIDE BETWEEN EURO LIBOR AND EURIBOR

Benchmark battle hots up

By Samer Iskandar and Edward Luce

The establishment of a widely recognised benchmark for European short-term interest rates is becoming a pressing issue in the run-up to next month's announcement of the founding members of European economic and monetary union.

Two rival groups, the British Bankers Association on the one hand, and the European Banking Federation and the Association Cambiste Internationale (representing the foreign exchange business) on the other, are fighting to impose their reference rates – Euro Libor and Euribor, respectively.

So far, only the London International Financial Futures and Options Exchange and its French rival Matif have chosen their benchmarks. The first will adopt Euro Libor and the second Euribor.

Richard Pratt, director of external affairs, says Liffe's decision reflects the wishes of market participants.

"Libor is at present the reference rate of banks all over the world," he says. "Even Chicago uses Libor as its eurodollar reference."

It is too early still to predict which of the two rates will dominate, but analysts believe the market will ultimately have to choose.

"We may well see split allegiances for some time, but the market is bound to converge on one benchmark eventually," says Paul Daniel, head of fixed income for Europe at Morgan Stanley Dean Witter.

The main differences between the two rates stem from the choice of participating banks. The Euribor index will be an average of rates quoted by some 60 banks from every EU country (and a handful of overseas banks).

The Euro Libor rate will be compiled and published by the British Bankers Association in the same manner as Libor rates on existing currencies. The Libor rates are averages of between eight and 16 lending rates, representing only the most creditworthy banks.

Analysts believe that because the Euribor panel will contain some banks with low credit ratings, the reference rate could incorporate a risk premium, which would set it higher than the Euro Libor benchmark.

"Credit will be one of the main elements that will drive the spread between Euribor and Euro Libor," says Paola Lamedica, a global bond strategist at Paribas.

Ms Lamedica also points out that liquidity considerations could add another – hidden – premium to Euribor, in the form of wider spreads between bid and offered prices

"London-based banks are clearly in favour of Libor," says one analyst. "But in continental Europe, there is a very strong political will to make Euribor succeed. The outcome of the battle will depend on whether market forces or political pressure prevails."

However, some bankers in London are relaxed about the possibility of a switch to the continental reference rate. "On the face of it, there's barely any difference between the two," says one senior investment banker in London. "What it really boils down to is political prestige. The technical differences are cosmetic."

Not surprisingly, the Bank of France has put explicit pressure on French banks to adopt Euribor, while the Bundesbank is believed to have applied some pressure on German banks, although more discreetly. In contrast, authorities in the UK believe the case for Euro Libor speaks for itself.

"The onus is on the proponents of Euribor to say why the market should abandon a system that already works very well," says one banker. "Nobody has ever suggested Libor was fixed or inaccurate."

London bankers also point out that Libor will continue to be the reference rate for all euro-dollar swaps.

Although there is no logical reason why the markets should ignore an alternative system for the European single currency, the prominence of dollar Libor will act as an advertisement for Euro Libor.

In addition, the International Swaps and Derivatives Association has recommended that market players retain Libor for contracts that expire after January 1999, when Emu begins. However, ISDA has refrained from recommending one or other reference rate for new contracts.

"It would be an enormous effort for banks to renegotiate existing contracts into Euribor," says one banker. "Which reference people choose for new contracts is a different matter."

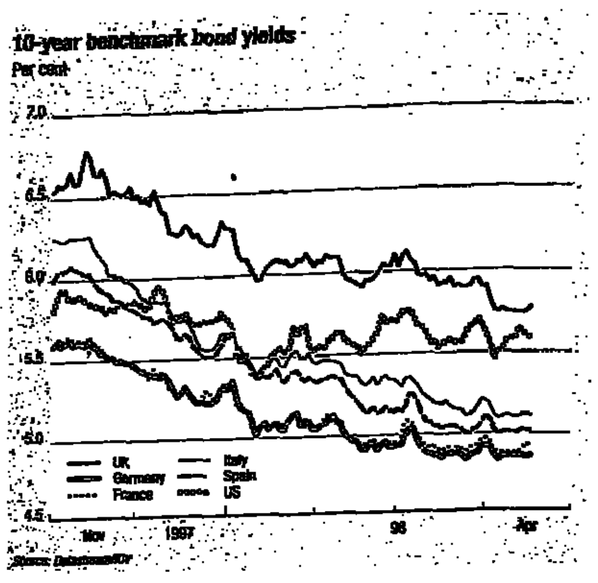
The Deutsche Terminbörse, Europe's second largest exchange after Liffe, has yet to choose its benchmark, and its decision could tilt the balance.

On the one hand, the DTB's existing three-month euromark contracts are based on Libor, which makes euro Libor seem the most convenient choice. On the other hand, DTB's alliance with Matif makes it tempting to adopt Euribor in order to create a critical mass by pooling French and German users after the merger of the two countries' currencies.

The DTB, also, is not immune to political pressure should the Bundesbank become more vocal in its support for Euribor.

10-year benchmark bond yields

Per cent



Source: Datastream/ICV

Credit Mutuel to refloat 15% of CIC

By Andrew Jack in Paris

Credit Mutuel, the French bank, plans to release back on to the stock market over the next three years 15 per cent of CIC, the state-owned bank in which it has acquired two-thirds control.

Etienne Pfimlin, chairman of Credit Mutuel, also confirmed that minority stakes in a number of the 11 regional banks around France in the CIC could also be sold to clients, employees or other partners in the coming years.

His comments came after the French government announced last week that Credit Mutuel had won the privatisation procedure against the other finalists – ABN Amro of the Netherlands and Société Générale of France – in a bid worth FFr13.4bn ($2.2bn) for 67 per cent of the capital.

Philippe Pontet, chairman of CIC, decided one of the alternative bidders for his bank would have been better placed with their own international networks to support CIC's expansion outside France. He said Credit Mutuel provided "a very good" support for growth, adding that the bank's international ambitions "should not be exaggerated".

Mr Pfimlin said CIC would be maintained as a separate banking network operating alongside Credit Mutuel's 3,500 branches. He wanted CIC to add a further 250 branches to its existing 1,380 in the coming five years, as a way to achieve an objective for the combined group of a 10 per cent market share in every region of France.

He also announced an acceleration in insurance sales activities, with the intention to dedicate 2,000 of CIC's staff exclusively to bancassurance and an objective of a rise in employment at the bank over five years from 20,661 to 21,000 staff.

Credit Mutuel pledged in its tender for CIC to maintain the existing bancassurance contracts with GAN, the state-owned insurer now being privatised that owns the remaining third of CIC, for 10 years for both its life and non-life activities.

Mr Pfimlin replied to fierce criticism by France's commercial banks of the mutualist sector following the CIC deal, while saying he was in favour of a "global" discussion by the government over modifications of the range of tax-free financial products offered by different financial institutions in France.

Brazilian tribunal rules Metropolitana sale valid

By Geoff Dyer in São Paulo

Brazil's Superior Tribunal of Justice (STJ) has ruled that the sale last week of Metropolitana, the largest electricity distribution company in Latin America, was valid, despite an attempt by a senior judge to have the auction annulled.

Antônio de Padua Ribeiro, president of the STJ, one of the country's highest courts, overruled two injunctions issued by the São Paulo state Tribunal of Justice which suspended the auction and declared it invalid.

Metropolitana was bought by Light, the Rio de Janeiro electricity company, for the minimum price of R$2.03bn (US$1.78bn), after it was the only bidder to take part in the auction. Light is owned by AES and Houston Energy of the US, Electricite de France and CSN, the Brazilian steel company.

The decision came as a relief to the São Paulo state government, which is reeling from the failure to find a buyer for Bandeirantes, the other electricity company that was put up for sale at the same time.

The government has yet to decide what it will do with Bandeirantes or EPTE, the small transmission business that also failed to attract any buyers. The three companies are subsidiaries of Eletropaulo, the state-controlled energy group.

Bankers said the poor result of the auction showed the government was trying to sell too many energy companies simultaneously.

"There is indigestion among the buyers. They do not have enough people to look at all these deals," said one banker involved in the Eletropaulo sale.

Brazil plans to sell the bulk of its electricity distribution and generation businesses over the next two years in a series of privatisations which had been expected to raise US$45bn.

Despite the STJ ruling, the privatisation is not free of legal obstacles. The court has still to judge on the merit of the legal action by a trade union which gave rise to the initial injunction.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 17, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	[illegible]	4750.00	2827.94	3807.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(Gib £)	1	0.5935	0.3283	0.4507
Greece	(Drachma)	528.231	313.480	173.443	230.088
Greenland	(Danish Krone)	11.6127	6.8918	3.8130	5.2341
Grenada	(E Carib $)	4.5495	2.7000	1.4938	2.0505
Guadeloupe	(French Fr)	10.2059	6.0575	3.3514	4.6005
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee(4))	74.6540	44.3050	24.5124	33.6495
Panama	(Balboa)	1.6850	1	0.5533	0.7595
Papua New Guinea	(Kina)	3.3734	2.0020	1.1076	1.5205
Paraguay	(Guarani)	4701.15	2790.00	1543.57	2118.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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MARKETS WEEK

April 20 - April 26

NEW YORK

By Tracy Corrigan

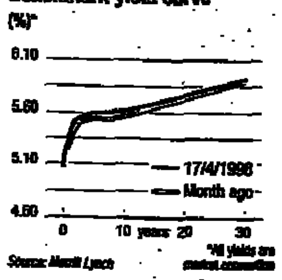
With little in the way of economic news this week to halt the steady climb of bond and stock prices, analysts said the markets are likely to be driven by customer flows and to remain range-bound, with little expectation of any shift in monetary policy in the second quarter. However, the next slew of economic data is not far away, with reports on employment costs and gross domestic product due at the end of April.

In the meantime, the markets will be focusing on Tuesday's Treasury budget statement. The budget is expected to show a deficit of \$15bn, compared with last year's \$42bn, according to Standard & Poor's MMS.

The bond market is also expected to benefit as the Treasury pays down debt, perhaps reducing the size of its five-year note offering to this end. On April 29, the market will be told of Treasury funding plans for May, which are expected to consist of an estimated \$13bn of three-year notes and \$12bn of 10-year notes, but no 30-year issue, according to Donaldson, Lufkin & Jenrette.

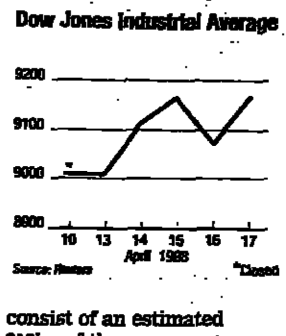
Meanwhile the stock market is still digesting first-quarter earnings, which have so far broadly lived up to expectations.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters *Closed

LONDON

By Steve Thompson

This week will provide the stock market with plenty of evidence as to whether another increase in UK interest rates is needed.

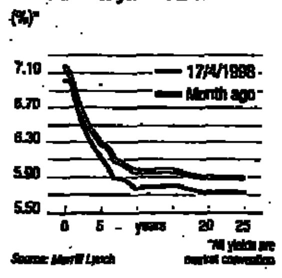
It was growing concerns that a rate rise could be on the cards next month that hit the stock market very hard last week, with the FTSE 100 losing ground for the four consecutive trading sessions and six out of the past seven trading days.

Those worries came in the wake of the minutes of the March meeting of the monetary policy committee, which revealed that the 4-4 split remained between the committee's doves and hawks.

In a long list of economic news items, economists will be paying particular attention to the March inflation figures due on Tuesday, which are expected to show the headline figure up around 0.3 per cent on the month to a year-on-year figure of 3.5 per cent. Core inflation is forecast to have risen 2.6 per cent over the past twelve months.

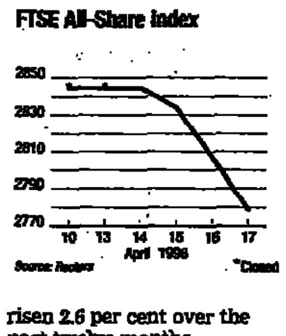
Of equal importance will be the underlying average earnings figure for February, due on Wednesday and forecast to show a 4.5 per cent rise over the past year, and M4 money supply data for March, expected to show an increase of 0.7 per cent.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share index



Source: Reuters *Closed

FRANKFURT

By Andrew Fisher

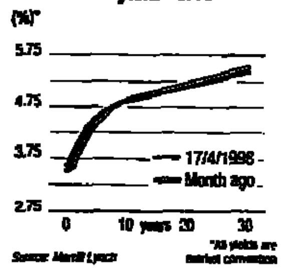
With German corporate news again likely to be thin on the ground this week, the market will be watching closely when SAP, the business software company, gives more details of its runaway first quarter performance tomorrow. It titillated investors last week by announcing that sales rose more than 60 per cent, although this year had been expected to produce more moderate growth.

Analysts expect SAP to try to dampen estimates for the rest of the year – and thus keep the shares in check – in view of the planned US share listing in August and the fact that the base share price for the company's employee incentive scheme will be set in May.

Also due are half-year figures from Siemens on Wednesday. Despite problems in Asia, J. P. Morgan expects the electronic group's net income before extra-ordinaries to rise 15 per cent as a result of growth elsewhere. It noted that Siemens had under-performed the Dax blue chip index by 12 per cent this year.

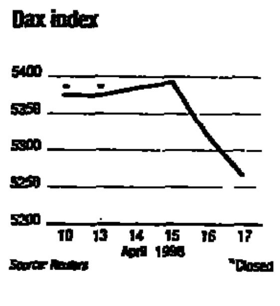
The Dax had a mixed week, edging briefly over 5,400 points before back-pedalling to close on Friday at just over 5,300.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters *Closed

TOKYO

By Bethan Hutton

Tokyo stocks could be heading for a tense week as the market awaits more details of the government's economic policies.

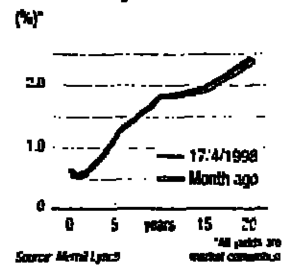
Last month Ryutaro Hashimoto, Japan's prime minister, announced a Y16,000bn stimulus package – the biggest ever. And this month he surprised again when he pledged the package would have Y10,000bn of new spending and Y4,000bn of additional, temporary income tax cuts.

However, this week he is expected to reveal more details about how this money will be spent. Fears have been growing that the fine print of any package may turn out to be less impressive than hoped, particularly since last week's G7 meeting in Washington did not produce as strong an appeal for action as some traders had expected.

This helped push the market down steadily last week, with a particularly marked fall on Friday. It closed at Y15,703.8, some 5 per cent down on the week.

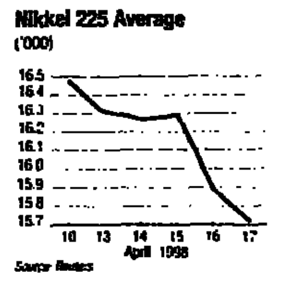
Some traders hope that new buying by public pension funds will offset any economic concerns: recently government institutions have distributed new funds to asset managers which are likely to be invested in Japanese equities.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	–	100¾	97½	Aberdeen Capital C	99¾		–	–	–	–
*100	F.P.	35.7	102	100	Advent 2 VCT	102		–	–	–	–
–	F.P.	58.2	148	143	†Desire Petroleum	144		–	–	–	–
–	F.P.	–	12	4	Eurolnt 01/03 Wts	4½		–	–	–	–
–	F.P.	498.5	188½	167	Express Dairies	167	–2	LW8.0	1.5	6.0	13.7
§255	F.P.	232.9	496½	409	Guardian IT	455	–14	–	–	–	79.6
–	F.P.	4.30	3¼	2¾	†Hartford	3		–	–	–	–
*–	F.P	18.9	103	99½	INVESCO Eng Opps	102		–	–	–	–
*–	F.P.	13.3	100¾	99	Do Zero Div Pf	100¾	+½	–	–	–	–
–	F.P.	20.1	108½	103	Do 8.5% Cnv 2005	108½		Q8½%	–	7.8	–
–	F.P.	167.7	353½	328	LLP Group	347½		L4.7	2.6	1.7	28.3
§50	P.P.	3.25	52½	52½	Microcap Growth Tst	52½		–	–	–	–
100	F.P.	39.0	97½	97½	Murray VCT 3	97½		–	–	–	–
–	F.P.	39.9	210½	153	Ottakar's	199½	–4	L2.5	6.2	1.6	12.9
–	F.P.	102.6	285	276½	Oxford Glyco	278½	–8	–	–	–	–
*	F.P.	18.0	92½	90	Quester VCT 2	90		12.4	–	3.3	–
–	F.P.	7.01	†10	65½	†Salestore	69½		–	–	–	–
–	F.P.	–	34½	34½	Transport Dev B	34½		–	–	–	–
§50	F.P.	9.50	57½	47½	VI	47½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
280	Nil	17/4	25pm	4½pm	Cap & Reg Props	4½pm	
20	Nil	12/5	5pm	5pm	Memory Corp	5pm	
40	Nil	7/5	10½pm	9½pm	Radstone Tech	9½pm	

pm premium.

FTSE GOLD MINES INDEX

	Apr 17	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1214.85	+14.8	35.14	100.00	2.08	–	1810.93	891.23
■ Regional Indices								
Africa (14)	1244.91	+12.8	8.63	24.55	4.37	27.44	1984.25	921.78
Australasia (7)	1502.13	+29.9	4.34	12.34	2.24	20.53	1880.66	933.63
North America (11)	1179.50	+13.2	22.18	63.11	1.04	44.10	1574.16	864.86

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STOCK INDICES

	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5922.2	6002.0	6074.1	6104.1	-	6105.8	5068.8	6105.8	986.9
FTSE 250	5519.2	5536.8	5546.8	5541.8	-	5558.4	4789.2	5558.4	1379.4
FTSE 250 ex IT	5583.4	5578.9	5583.8	5579.5	-	5597.4	4808.3	5597.4	1378.3
FTSE 350	2847.8	2880.7	2909.7	2921.0	-	2923.8	2444.7	2923.8	664.5
FTSE SmallCap	2623.68	2630.94	2636.48	2636.28	-	2640.09	2320.18	2640.89	1363.79
FTSE SmallCap ex IT	2616.09	2623.06	2628.31	2627.10	-	5554.18	2316.19	5554.18	1363.79
FTSE All-Share	2777.16	2807.68	2834.64	2844.98	-	2847.07	2380.32	2847.07	61.92
FTSE Fledgling	1405.75	1408.49	1410.00	1411.94	-	1416.27	1265.77	1415.27	31.14
FTSE Eurotop 100	2818.48	2840.06	2873.93	2887.27	-	2928.66	2236.40	2928.66	2044.47
FTSE Eurotop 300	1233.38	1235.53	1251.48	1261.38	-	1263.63	971.93	1263.63	874.08
FT 30	3764.6	3816.9	3840.3	3848.0	-	3872.4	3235.4	3872.4	49.4
FT Govt Securities	105.39	105.44	105.49	105.60	-	105.60	101.52	127.40	49.18
FT Fixed Interest	142.79	142.36	142.56	142.35	-	142.79	135.66	142.79	50.53
FTSE Gold Mines	1214.85	1223.87	1223.57	1243.86	-	1276.29	929.38	2074.61	903.02

COMPANIES DIARY

Philips and ABB Asea report on first quarter

In continental Europe, Philips Electronics and ABB Asea Brown Boveri report their first-quarter results, while figures from Tesco and Imperial Chemical Industries dominate an otherwise quiet week in the UK.

Terry Leahy, Tesco's chief executive: Christmas sales growth was healthy   Lydia van der Meer

TUESDAY

● Tesco, the UK's leading supermarket group, is expected to announce pre-tax profits strongly up on last year. The consensus forecast for the year to February 1998 is £826m (\$1.38bn), against £750m last year.

At the interim stage in September, the company warned that the strong 8 per cent like-for-like rises it was then experiencing were unlikely to continue.

However, in the vital Christmas trading period over the five weeks to January 3, Tesco experience comparable growth of 6.5 per cent, more than twice the 3.2 per cent reported by J Sainsbury, Tesco's nearest rival.

The City will also be anxious to examine Tesco's performance in central Europe, where performance has been somewhat patchy.

WEDNESDAY

● Philips Electronics, the Dutch electronics group, is expected to report first-quarter net profits of between Fl 421m and Fl 530m (\$259m), against Fl 460m last time.

The quarterly results will also include an extraordinary gain of about Fl 900m from the sale of Philips Car Systems to Mannesmann of Germany at the beginning of the year for Fl 1.4bn.

Operating results from the professional products and systems division is expected to show a year-on-year increase. In the first-quarter of 1997, the operating loss was Fl 54m but the full-year figure reached a Fl 504m profit.

The software and services division will report a lower operating profit, mainly on the back of problems at PolyGram, which has experienced lower music sales and profit margins.

Despite recent profit warnings from some semiconductor manufacturers, analysts expect that Philips' chips business to show continued strong performance.
AFX-News, Amsterdam

● Bank of Scotland has achieved income growth, thanks to gains in market share in segments such as mortgages and credit cards.

Sainsbury's Bank, a 55:45 joint venture with the supermarket group, has been growing faster than expected. In the short term, this will mean higher start-up losses than anticipated.

BankWest in Australia is still under pressure. Some analysts remain concerned lest rapid asset growth brings credit quality problems in its wake, but the bank has so far managed to preserve asset quality.

Profits are expected to rise to £827.7m from last year's £734.7m, according to a consensus of estimates provided by First Call.

THURSDAY

● Imperial Chemical Industries of the UK is expected to announce pre-tax profits of about £85m-£95m for the first quarter.

Analysts will be looking closely for signs of how well the speciality chemicals and coatings business are performing nine months after ICI began its transformation by buying Unilever's speciality chemicals businesses.

Investors will also be looking for news on the remaining industrial chemicals businesses due for sale.

Huntsman of the US is understood to have offered to buy the Wilton ethylene cracker and related businesses.

It is waiting for ICI's response, but any sale must also be approved by British Petroleum which owns 20 per cent of the cracker.

● ABB Asea Brown Boveri, the Swiss-Swedish engineering group, is expected to report first-quarter net profit in the range of \$195m to \$271m, compared with \$236m a year earlier, according to analysts.

First-quarter sales are forecast at \$7.1bn-\$8.85bn, up from \$7.02bn a year ago, while orders are projected to be in a range of \$8.95bn-\$9.83bn, compared with \$10.08bn.

ABB said that first-quarter orders and the order backlog will be restated to take into account the difficulties encountered at the Bakun project in Malaysia.
AFX-News, Zurich

● Akzo Nobel, the Dutch chemicals group, is expected to report first-quarter net profit of between Fl 380m and Fl 403m (\$197m), up from Fl 340m.

The results will be flattered by the stronger dollar and sterling exchange rates, and by maintenance interruptions last year which had impaired basic chemicals' results.

Other favourable comparative effects will be seen in the pharmaceuticals division, which last year were marked by start-up costs for the antidepressant Remeron and pressure on oral contraceptive sales, after warnings from health officials in several countries.

However, last year's disposal of the US salt business will have a negative impact on sales. Akzo Nobel is close to finalising its fibres joint venture with Sabanci of Turkey, and may make an announcement with the first-quarter results.

In addition, Akzo recently said that ongoing negotiations with Courtaulds of the UK could lead to a bid of 450p a share.
AFX-News, Amsterdam

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
PNC Bank(b)‡	250	Mar 2003	(b1)	99.905	-	-	Deutsche Bank
IBRD★	80	Aug 2001	5.20(c)	100.00	-	-	IBJ Int/Nikko Intl
Banco BBM Investimentos★	50	Aug 1999	9.50‡	99.767	-	-	Credit Lyonnais
Caisse Franc de Dev'ment	330	May 2005	5.875	99.67R	5.933	+39.5(Mar03)	JP Morgan/Paribas
World Bank	1.0bn	Apr 2001	5.625	99.69R	5.74	+12(3yrUST)	Lehman Brothers
Nacional Financiera	150	May 2003	(f)	99.479	-	-	HSBC Markets
[illegible]							
SWISS FRANCS							
DSL Bank	150	May 2003	2.50	101.15	-	-	CSFB
SBC Jersey Branch(q)	100	May 2001	7.50	100.10	-	-	SBC Warburg DR
Holderbank Overseas Fin(h)§	410	May 2004	1.00	100.00	-	-	SBC Warburg DR
BNG	200	May 2008	3.25	102.00	-	-	ABN Amro
CSFB London Branch§5	100	May 2001	7.50	611	-	-	CSFB Zurich
EECC	350	May 2002	2.25	100.50	-	-	SBC Warburg DR
[illegible]							

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Aberdeen Preferred Income Tst. 3.25p
Asda Grp. 10¾% Bds. 2010 £1,087.5
Birmingham Midshires Bldg. Soc. Sub. FRN. 2005 £2,051.01
BP Dev. Australia 11¼% Gtd. Bds. 2001 £112.50
Budgens 5% Conv. Unsec. Ln. 2003 £2.50
Chuba Electric Power Co. 5.75% Nts. 2001 $287.50
Daicel Chemical Inds. 5.6% Bds. 200 Y560,000
Druid Grp. 1.25p
European Invst. Bk. 9≥ Nts. 2015 IR4.5p
Formscan 1.5p
Hankyu Dept. Stores 3% Nts. 1999 Y300,000
Imperial Chemical Inds. 19.5p
Islington Corp. 11.9% Rd. 2017 £5.95
Linx Printing Tech. 1.6p
Lloyds TSB Grp. Sub. FRN. 2006 £19.76
London Town 1.2p
Loxley Public Co. 3.5% Conv. Bds. 2005 $35
M & G Income Invst. Tst. 2.6p
Do. Geared. 2.6p
Do. Package 1p
Mitsubishi Electric Corp. 3.2% Bds. 2000 Y320,000
Mitsui & Co. Intl. Fix. FRN. 1999 Y272,130
Murray Income Tst. 3p
Nissho Iwai Corp. 3% Bds. 1999 Y300,000
Pochins 1p
Primary Health Props. 2.5p
PSD Grp. 6p
Regent Inns 1.3p
Rio Tinto 21.55p
Yokohama Fin. Cayman GTD. Sub. FRN. 2005 Y419,454

■ **TOMORROW**

ABB Series B SKr2.10
Bradford & Bingley Bldg. Soc. FRN. 1999 £188.14
British Gov't. 4⅝% Index. 2004 £2.5569
Eurocamp 7.75p
Framlington Income & Capital Tst. 1p
G.R. Hldgs. 15p
Halifax 10$% Sub. Bds. 1998 £525
Lloyds Bank 10U% Sub. 2008 5.3125p
Prospect 3 Nts. 2006 £1,899.01
Do. Class B 2006 £1,954.49
Rio Tinto A.D.R. $1.419

■ **WEDNESDAY APRIL 22**

American Home Products Hldgs. 9.61% Bds. 2007 £240.25
Beradin Hldgs. 1.38p
Do. 0.82p
Canary Wharf Fin. Class C 5% Mort. 2027 £81.64
Do. Class D FRN. 2020 £107.42
Central Hispano Eurocapital FRN. $0.94
Chase Manhattan Corp. Sub. FRN. 2003 $292.67
Mauritius Fund $0.10
Minerva 0.8p
Morgan J.P. $0.95
Padang Senang Hldgs. 1.6p
Do. 1.4p
Platinum Intl. Fin. Tranche B FRN. 2003 Y4,850,000
Sanwa Australia Fin. FRN. 2003 $9,000
Shandwick Intl. 1.21p
Waterman Partnership Hldgs. 1p
Yokohama Fin. Cayman Gtd. Sub. FRN. 2003 $3,062.50

■ **THURSDAY APRIL 23**

Allied Irish Banks IR10.9
B.B.L. Intl. Gtd. FRN. 1999 *$151.87*
Brewin Dolphin Hldgs. 6.5p
Commonwealth Bank of Australia Gtd. Undtd. Cap. Nts. $301.75
Domnick Hunter Grp. 4.752p
Dunedin Income Growth Invst. Tst. 4.05p
Foreign & Colonial Enterprise Tst. 3.9p
Go-Ahead Grp. 3p
Golden Castle Euro-Finance FRN. 2004
Haggas (John) 1.5p
Latin American Extra Yield Fund $0.18
London Forfaiting Co. 6.3p
Mersey Docks & Harbour Co. 10p
Partridge Fine Arts 3.45p
Tokyo Tatemono Co. 7.25% Bds. 2001 Y725,000
YTB Fin. Sub. FRN 2003 $1.556.25

■ **FRIDAY APRIL 24**

Alliance Tst. 40.5p
Do. 4% Cm. Pf. £1.40
Do. 4¼% Cm. £1.4875
Do. 5% Cm. Pf. £1.75
Anglovaal R0.57
Do. N.Ord. R0.57
Asda Grp. 8.375% Nts. 2007 £83.75
Baronsmead 1.625p
Bestfoods $0.45
Brent Intl. 2.4p
Britt Allcroft Co. 0.7p
Broadcastle 1.1p
Concurrent Tech. 0.1p
Diageo 12.5p
Frogmore Estates 4.5p
Games Workshop Grp. 3.3p
Grafton Grp. IR14p
Hellenic Telecommunications Org. $0.1732
Ideal Hardware 5.75p
Kwik-Fit Hldgs. 4.15p
London Bridge Software Hldgs. 3p
Maunders (John) Grp. 2.6p
News Corp. A$0.015
Do. Pref. A$0.0375
Pavilion Housing Ass. Sec. Coupon Bds. 2012-2027 £275
Platinum Intl. Fin. Tranche A FRN. 2003 Y947,397
Do. Tranche B FRN. 2003 Y632,338
Polypipe 1.03p
Walker (Thomas) 0.1p
Yokohama Finance Cayman Gtd. FRN. 2003 $3,575

■ **SATURDAY APRIL 25**

British Gov't 9½% Conv. £4.75
Manchester (City of) 11.5% Rd. 2007 £5.75

■ **SUNDAY APRIL 26**

Abbey National Treasury Services 6¼% gtd. Nts. 1999 ECU62.50

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Brewin Dolphin, Merchant Taylors Hall, 30 Threadneedle St, EC, 12.00
Edinburgh UK Tracker Tst, Tower Thistle Hill, St. Katharine's Way, E, 12.00
The Intercare Grp, Forte Posthouse Hotel, Clifton Village, Brighouse, West Yorkshire, 11.00
Wyndham Motor Grp, The Copthorne Hotel, Culverhouse Cross, Cardiff, 12.30
BOARD MEETINGS:
Finals:
Ashtenne
Boot (Henry) & Sons
Environmental Inv
IBC
PPL Therapeutics

■ **TOMORROW**

COMPANY MEETINGS:
Access Plus, SS Gt. Britain, Gt. Western Dock, Gas Ferry Rd, Bristol, 11.30
Beradin, 3 Clanricarde Gdns, Tunbridge Wells, Kent, 10.30
Capital Shopping Centres, 40 Broadway SW, 11.00
Dunedin Income Growth Inv Tst, Discovery Point, Dundee, 12.00
Fleming Fledgeling Inv Tst, 25 Copthall Ave, EC, 12.00
Foreign & Colonial Enterprise Tst, *Exchange House, Primrose* St, EC, 12.15
Jupiter Intl. Green Inv. Tst, Knightsbridge House, 197 Knightsbridge, SW, 10.30
Kwik-Fit, Ironmongers Hall Shaftesbury *Place*, Barbican, EC, 12.00
Law Debenture, Drapers Hall, Throgmorton Ave, EC, 10.30
Lilleshall, Chequers Hotel, Oxford St., Newbury, Berkshire, 11.30
NatWest Grp, The Gibson Hall, 15 Bishopsgate, EC, 11.00
Padang Senang, 3 Clanricarde Gdns, Tunbridge Wells, 11.30
Reuters Grp., Stationers' Hall, Ave Maria Lane, EC, 11.30
Smith & Nephew Queen Elizabeth 11 Conference Centre, Broad Sanctuary, SW, 11.00
BOARD MEETINGS:
Finals:
Finlay (James)
Havelock Europa
Jerome (S.) & Sons
Morgan Grenfell Lat Amer
United Energy
Interims:
Dickie (J)
Ferraris
Intl. Biotechnology
St. Ives
Tesco

■ **WEDNESDAY APRIL 22**

COMPANY MEETINGS:
Anglo & Overseas Tst, 23, Gt. Winchester St, EC, 11.30
Dawson Intl, *Sheraton Hotel*, Edinburgh, 12.00
English China Clays, Great Hall, 20, Aldermanbury, EC, 2.30
London Forfaiting, International House, 1, St Katharine's Way, E1, 10.30
Lowe (R), College Hill Assocs, 4th Floor, 29, Gresham St, EC, 12.00
Partridge Fine Arts, 144-146, New Bond Street, W1, 9.00
SkyePharma Institute of Chartered Accountants, Moorgate Place, EC 10.30
Spirax-Sarco, Cheltenham/ Gloucester Moat House, Shurdington Rd, Brockworth, Gloucestershire, 3.00

BOARD MEETINGS:
Finals:
Avis Europe
Bentalls
Bank of Scotland
JJB Sports
Scottish Mortgage & Tst
Interims:
Bellway
Cosalt
D.F.S. Furniture

■ **THURSDAY APRIL 23**

COMPANY MEETINGS:
BG, Hall 1, Intl Convention Centre, Birmingham, 10.00
BPP, BPP House, Aldine Place, 142-144, Uxbridge Rd, W1, 9.30
Cementone, 4, Carpenter St, *EC*, 11.00
Friends Provident Ethical, 15, Old Bailey, EC, 12.00
Inchcape, Mandarin Oriental *Hyde Park Hotel*, 66, Knightsbridge, SW, 11.00
Jermyn Inv Props, 1, Bow Churchyard, Cheapside, EC, 10.30
Lambert Howarth, Coopers & Lybrand, *Abacus Court*, 6, Minshull St, Manchester, 12.00
Low & Bonar, Bonar House, Faraday St, Dundee, 12.00
Medeva, 66, Portland Place, W1, 11.00
RPS, Temple Court, 35, Bull Street, Birmingham, 10.00
Sherwood International, 120, Old Broad Street, EC, 11.30
Travis Perkins Lord's Banqueting *& Conference Centre*, St Johns Wood Rd, NW, 12.00
Trocadero, College Hill, 4th Floor, 29, Gresham Street, EC, 12.00
Waste Recycling, Rowe & Maw, 20, Black Friars Lane, EC, 11.00
Wilson Bowden, Grand Hotel, Granby Street, Leicester, 12.00
Wyevale Gardens Centres, Green Dragon Hotel, Broad Street, Hereford, 10.30

BOARD MEETINGS:
Finals:
Alpha Airports
Ashley (Laura)
Folkes Grp
Huntleigh Technology

■ **FRIDAY APRIL 24**

COMPANY MEETINGS:
Braime *(TF & JH), Hunslet Rd*, Leeds, 10.45
Calderburn, Addleshaw Booth & Co, 8th Floor, 100 Barbirolli Sq, Manchester 12.30
Furlong Homes, Wellington House, Trust Road, Waltham Cross, 10.30
Gartmore Emerging Pacific, Fenchurch Exchange, 8, Fenchurch Place, EC, 12.30
Jeyes, Chartered Accountants Hall, Moorgate Place, EC, 12.00
Ultra Electronics, 417, Bridport Rd, Greenford, Middlesex, 10.00
BOARD MEETINGS:
Interims:
Medisys
SBS

Company meetings are annual general meetings unless stated. Reports and accounts are not *available until six weeks after the* board meeting to approve the preliminary results.
This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES & EXHIBITIONS

LANGUAGE COURSES

هكذا من الأصل

BUSINESS EDUCATION

Asian student numbers are down but schools in Europe and the US are buoyant, says **Della Bradshaw**

A panic rather than a crisis

Earlier this year, two Korean students on the MBA programme at Manchester Business School, in the UK, packed their bags and went home. It was not just a question of money, although their companies had withdrawn financial support. But the instability of their home economy, driven by the Asian currency crisis, sent them scurrying to protect their careers.

The moves were symptomatic of the panic which swept both the students and the administrators at business schools earlier this year.

Though many put a brave face on it, there were fears that the number of company-sponsored, south-east Asian students sent to study abroad would plummet, and with it business school revenues. And for those business schools which offer programmes in Hong Kong or Singapore, there were concerns that the soaring costs of the courses would be prohibitive for many students.

Four months later, a calmer and more positive picture has emerged, in the more prominent business schools at least. Many business faculties concede that they feared the worst only to discover that their concerns were largely unfounded.

Ian Turner, director of the open distance learning MBA and diploma courses at Henley Management College, in the UK, says there has been some impact on the take-up of courses in Malaysia; and Henley has shelved plans to move into Korea. But the market in Hong Kong, he says, is buoyant.

The situation is similar on applications for full-time programmes in the UK from Hong Kong students, according to Peter Barrar, director of the post-graduate centre at Manchester Business School. "Hong Kong has stood up remarkably well as has China. China has not been affected."

Some specialist courses, such as the one-year masters in finance courses offered at London Business School and the management school at Imperial College in London, have seen an unexpected increase in applications.

At LBS, applications from Asia for its Masters in Finance programme have risen by 63 per cent overall over the past year, and in Hong Kong the increase in applications has been 166 per cent. At Imperial College, applications for its masters in finance degree, albeit a very new programme, have increased tenfold.

Concern over the shakeout in business schools in south-east Asia is now shifting from worries about currency to worries about government intervention.

To promote home-grown programmes the Malaysia government has recently introduced legislation which eliminates the tax relief on management training, if it is carried out overseas. This has led to a rush by some non-Asian schools to set up programmes in Malaysia.

In Hong Kong, the government is introducing a rigorous licensing system to eliminate all but the top-notch overseas schools. The requirements of the licence scheme will mean that all but the most serious programme providers will pull out of Hong Kong, believes Ray Wild, principal at Henley.

The Asian currency crisis was a hiccough in an otherwise buoyant year for business schools, especially those in the US.

There, the burgeoning interest from management consultants – the market is growing at between 20 and 30 per cent a year – pushed up the demand for MBA graduates and many were offered salaries and golden hellos which previously they could only have dreamed about.

All the big schools reported record starting salaries. At the Wharton school at the University of Pennsylvania, for example, graduates received a median compensation package of $130,000 (£78,000), including a base salary of $75,000. The most common employers were consultancies.

The ever-growing demand for consultants has meant that many schools not traditionally favoured by consultancies are now being drawn into the net. IMD in Switzerland and Cranfield in the UK, for example, both have strong reputations for producing managers for industry. Both establishments are being targeted by management consultancies.

As there is a growing demand from recruiters for graduates of the classic MBA – the one or two-year full-time programme – so there is a growing demand from students for more flexible programmes.

In the US, about half the MBA students study on part-time courses, or via distance-learning programmes. In Europe and Asia, the figures are considerably higher. In the UK, for example, the vast majority of students combine study with their 'day job'.

Increasingly, employers, too, are turning to these part-time and open learning programmes as an alternative to sponsoring managers on full-time programmes. IBM, for example, sponsors several hundred managers a year to study for an MBA in this way.

One of big driving forces in developing open learning programmes has been advances in technology: case studies on CD-Roms, group meetings using video-conferencing and low-cost communications over the internet have all boosted the ability of the big open learning providers, such as Henley and the Open University Business School, to support managers further afield.

It has also enabled the more traditional MBA programme providers to offer more flexible options. The Fuqua school, at Duke university in the US, for example, created a niche for itself in the executive market with a premium-priced executive MBA on which the students are company-sponsored. One of the mainstays of the programme has been the communications technology which enables groups to work together even though they are physically scattered across the globe.

So successful has the programme been that IMD has decided to launch a European rival later this year.

Fuqua is one of the more successful US business schools in terms of overseas expansion. Chicago, which launched its executive MBA programme in Barcelona two years ago has now consolidated its position by moving into its own building.

And the Kellogg school at Chicago's Northwestern university has reiterated its particular brand of overseas expansion – through partnerships – by launching its executive MBA earlier this year in Hong Kong in collaboration with the Hong Kong University of Science and Technology.

Elsewhere, technology is revolutionising the way that classes are taught and the way that business schools communicate with their alumni.

Two years ago the idea of an electronic case study was revolutionary; today, it is commonplace. Just a year ago the idea of a lifelong electronic mail address for students and alumni was unheard of; today, every business school worth its salt is considering the idea.

LEADERSHIP • by Richard Donkin

'Learning through doing' dominates

But business schools offer an environment for risk-free experimentation

Business leadership development has been one of the big growth areas for management schools during the past decade but there appears to be growing scepticism about the more traditional approaches to the subject not only within business but in the schools themselves.

Part of the problem has been in arriving at a consensus of what is meant by leadership, whether it should be distinguished as something separate from management, whether it comprises definable traits and whether it has changed over the years.

Many of the current theories have a family tree rooted in post-war studies that initially concentrated on military leadership skills. This military link was promoted by people like Field Marshall Sir William Slim who shortly after the end of the war gave a lecture to managers in the UK on "management through leadership", arguing that the principles of military leadership could be used in business.

Hitherto the notion that leaders were born not made had tended to prevail in society but Sir William's observations suggested that there could be transferable leadership skills. The idea was developed by people such as John Adair, the UK's first professor of leadership who incorporated them into his Action Centre Learning model, initially adopted at Sandhurst, the British Army's officer training college.

Mr Adair was among a number of academics, including Warren Bennis and John Kotter in the US, who distinguished between leadership and management. Management, he argued, involved administration and control, features not necessarily present in leadership.

Warren Bennis defined the most important ingredient of business leadership as the need to provide a guiding vision. He also identified the need for leaders to demonstrate passion, integrity, curiosity and daring.

But can such qualities be instilled into people or are they innate? Ruth Tait, head of PA Consulting Group's search and selection business, who interviewed a series of business leaders for her 1995 book Roads To The Top, found difficulty drawing together a set of common attributes although she found that many of the executives had some childhood experience of adversity that gave them their drive.

"What distinguished most of them, however, was cross functional experience and responsibility early in their careers," she says. She found that while management education was regarded as helpful it was stressed far less than the learning they achieved from experience.

Her observations about early responsibility are confirmed by David Norburn, director of Imperial College Management School, London, who carried out a detailed study of directors of large companies in the UK and the US, looking for the factors that distinguish the more successful of them from the less successful.

"I can tell you it has nothing to do with potty training, child sibling positioning or types of education. Statistically two features come shouting through – the experiences that they get in their formative years between the ages of 25 and 35 and international exposure," says Prof Norburn.

The most crucial formative influences on business leaders, he found, were inter-company moves exposing young managers to early responsibilities. "If you get sent off to Borneo to be in charge of some petrol pumps you have to understand pricing, delivery systems, logistics, cash flow and working in a different setting. In effect you are a mini-managing director," he says. "But a company must have an underpinning of acceptance of failure when it stretches people beyond their previous experience." These findings raise questions about the effectiveness of the classroom approach to leadership development. Prof Norburn is an advocate of managers with senior executive potential taking on non-executive roles.

"A lot of the business schools are teaching history. I would like to see more emphasis on simulations and projects where people can be stretched." One area, he says, where business schools can help is providing an environment for risk-free experimentation.

"Companies need to encourage the maverick in people so that they are working one deviation away from their area of comfort. If this happens in school and it goes wrong there it will not hurt the company financially."

Andrew Kakabadse, professor of International Management Development at Cranfield School of Management, agrees that leadership development needs to go beyond the classroom. "The most likely and unlikely people can reach senior positions. There are no common traits in terms of personality but there are abilities that can be developed and working in the organisational context can be particularly effective," he says.

This emphasis on context is also stressed by Nigel Nicholson, a professor at London Business School. "What makes a good leader does depend very much on what kind of organisation you are in and the role you play in that organisation. Charismatic leaders, for example, come into their own when people are in a state of crisis but they can overstay their welcome when calm is restored and a different kind of leader is required."

It should be noted that the nature versus nurture debate is still simmering beneath the varying approaches to leadership development. Meanwhile, learning through doing appears to be in the ascendancy.

Management theory initially concentrated on military leadership skills

COMPANY-SPONSORED MBAs • by Della Bradshaw

Stepping into clients' shoes

Single company programmes are keeping staff happy and defections down

When the name Chesterton is mentioned in exclusive London circles, what springs to mind are flashy Mayfair apartments or houses in Chelsea. One thing Chesterton International, the up-market property consultancy group, is not usually associated with, however, is management training.

Nonetheless, Chesterton has been running its own MBA programme in conjunction with Middlesex University Business School since 1992 and some 40 MBAs have graduated from the programme. One of the aims, says Bill Heaney, group services director at Chesterton, "is to try and put our surveyors into our clients' shoes."

Single company MBA programmes have largely been the domain of European business schools and European companies – US business schools have found the concept hard to swallow. Accountants Arthur Andersen, the BBC, British Airways and phone company Cable & Wireless are all proponents of single company programmes.

The advantages to the company are clear: they can reward their high-flying staff, and so prevent defections to rival companies, while controlling the timing of the programme.

For example, Arthur Andersen in the UK has recently begun a single company programme with Manchester and Warwick business schools in which the workload is most intense over the summer and autumn and there is less work to do in January and March, the auditing season.

Other programmes vary more widely. For example, the Cable & Wireless programme uses the Henley distance learning MBA programme, as studied by thousands of MBA wannabes around the globe, as the basis for its MBA, says Ed Moffatt, programme manager at Cable & Wireless. "We get the same green Henley boxes."

But in addition there are two modules which Henley has developed with the Cable & Wireless College, based in Coventry in the UK, specifically for telecoms employees – strategic direction in the telecommunications industry and business development and financing in the sector, essentially things like how to apply for a telecoms licences.

This is about as far as Henley would go in adapting a programme, says Ray Wild, principal of Henley Management College, which runs single company diploma and MBA courses for 19 companies other than Cable & Wireless, including Lloyds Bank, Unilever and British Telecommunications. "We will tailor the delivery of a course for a corporate client to the extent they need," he says, "but this is as far as we have gone in tailoring content."

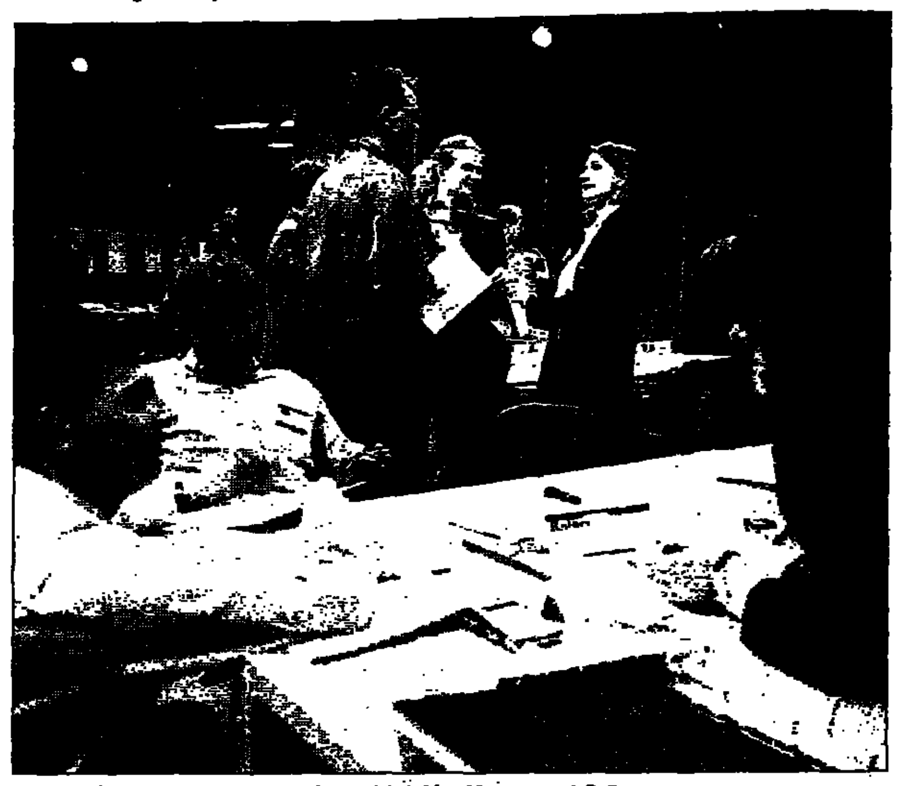
Alliances: three companies are involved in Ashridge's European Consortium MBA

Cable & Wireless has been able to exploit its expertise in telecoms technology to overcome many of the problems of distance learning by setting up video-conferencing tutorials between course members. This brings additional spin-offs. "It helps participants to learn how to use technology as a management tool," says Mr Moffatt.

A further advantage to both the company and the student is that the case study and project work can be centred on the company itself and the day-to-day work the employee does there. General programmes, on the other hand, tend to rely on cases which must be, by definition, of general application to everyone on the programme.

For the course participant there are clear advantages. Howard Oyns, operations manager with the euro-global team at IBM, is studying on the IBM MBA programme at Manchester Business School. He considered studying independently for an MBA but was put off by the cost and the time requirements. "I looked at a number of options: all were frighteningly expensive and all of them seemed to demand unmanageable amounts of time."

Concerns about company-specific MBAs are that the employer may have too much input into the development of the course, so removing its status as a general management programme.



Informal discussions matter for students at Ashridge Management College

More important is that the social and networking element of an MBA programme is largely missing from a company-specific MBA – many participants on general MBA programmes say they learn as much from their fellow students as they do from their professors.

For this reason single company programmes are unsuitable for small companies, says Paul Ferguson senior fellow at the management school at Lancaster University, which has been running the British Airways MBA since 1988 – making it one of the first in-company MBA programmes in the world. British Airways, which has everything from technical staff to sales executives and to financial controllers, and is international into the bargain, is ideal for such a programme says Mr Ferguson.

Concerns that companies push forward unsuitable applicants is also unfounded says Mr Ferguson. He says at Lancaster applicants on the British Airways programme are of a higher calibre than on the open MBA programme.

The Association of MBAs, which runs the UK's MBA accreditation programme, is also warming to single company programmes. It is setting up a working party later this year to decide the criteria which could be used for giving accreditation to single company programmes. "These programmes look like they're here to stay," says Paula Glason, business school services manager at the Association.

Not everyone is convinced. Although Lancaster runs the British Airways single-company programme it is also a partner in the International Masters Programme in Management (IMPM), which was masterminded by veteran Canadian management thinker Henry Mintzberg. It brings together four or five participants from a handful of companies to study together, so combining the diversity with the focus of a company-specific programme.

Manchester Business School is also moving towards the consortium approach to degrees.

At Henley more than 50 blue-chip companies already send participants on inter-company MBA programmes. Seven of those, including Electrolux, Mercedes Benz and Rank Xerox, belong to international consortium MBA programmes. Ashridge, at Berkhamsted in the UK, also runs a European partnership MBA of 13 modules over two years. The three companies involved are Lufthansa, Deutsche Bank and Merck.

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WOMEN • by Victoria Griffith

The ever-widening gender gap

'Inequality at the MBA programmes is perpetuating inequality in the work place'

After decades of progress in women's rights, one would expect the number of women getting business degrees to be surging rapidly toward parity with men.

That's not the case. While women make up over 40 per cent of total enrolment in medical and law schools in the US, just 29 per cent of those attending elite MBA programmes are female, according to women's rights watchdog Catalyst. Even more disturbing, female enrolment has stagnated: there has been no upward movement for almost a decade.

Take a look at what women study at business school, and the gap looks even wider. While marketing and human relations courses are filled with feminine faces, management and finance courses continue to be dominated by males. "Women are concentrating in fields that would tend to place them in staff, not leadership, positions once they get out," says Mary Mattis of Catalyst. "Inequality at the MBA programmes is perpetuating inequality in the work place."

Catalyst considers the situation a threat to the progress of women in business and has launched the first major study of the issue, in conjunction with the University of Michigan. While the research will probably not be completed until next year, the study is already sparking dialogue on the issue. Some of the hypotheses about the low attendance of women include:

● Lack of pay-back for the degree in the business world. "A lot of women look at the sacrifices my generation made, and decide it hasn't been worthwhile," says Daphne Atkinson, assistant dean for admissions at Cornell University's business school. "There aren't a lot of women CEOs, or women sitting on the boards of major companies. Women fear they will pay a lot of money for an MBA, work long hours, only to get held up by the glass ceiling."

A perceived macho attitude on Wall Street, one of the premier careers for MBAs, puts women off finance studies in particular. "The male culture on Wall Street is just considered too unbearable for many women to be interested in finance," says Barbara Shannon, a Wharton MBA candidate.

● Work/family concerns. The timing of business school often runs right up against women's desire to have a family. Elite MBA programmes usually require a few years' experience as a prerequisite to entry. That means most women attending business school will be entering their 30s within a few years after graduation, the age when many start thinking about having children.

"One of my friends asked the financial service firm she'll be working at after graduation how many women take maternity leave in their first three years," says Ms Shannon. "The answer was 'none'. That means if she wants to do that she'll be a trailblazer – a pretty uncomfortable position to be in."

● Worries about the cost of an MBA. With an MBA at elite US schools running at about $70,000 for tuition and living expenses, many women fear they won't be able to finance the education. "Women are definitely more concerned with the price of an MBA than men, and we're not sure why," says Bob Alig, head of admissions for Wharton. "Maybe companies don't sponsor them as often, maybe their families aren't as willing to finance the education, or maybe they are just not as certain about their long-term plans and possible payback schedule as men."

Because women often want to work in less lucrative fields after graduation, the problem is exacerbated. Sue Emmott, an MBA candidate at Cambridge University's business school, wanted a management degree to boost her skills at dealing with refugees and displaced people, for instance. Had she not received a scholarship from the school, it might have been difficult for her to finance the education.

● A male-oriented culture in the classroom. "Women complain of stereotyping in MBA programmes that affects their ability to learn," says Arthur Centonze, dean of the Lubin School of Management at Pace University. In classroom teams, women say they are likely to play the role of facilitator, given responsibility for organising meeting times and deadlines. Because there are so few females, they tend to be divided up among teams. Too often, they say, they find themselves alone in a group of men and expected to provide the "feminine" point of view.

● A lack of role models within the school. Most MBA programmes have relatively few women faculty members. "Having a lot of female professors around makes a huge difference to women students' self-confidence," says Anisha Sanghavi, a student at the Lubin School.

MBA programmes cannot address all these drawbacks alone. The percentage of women at business schools may change substantially only after a change in attitude in corporate America. Yet observers say the schools must take some responsibility. "We are not doing as good a job as we should in addressing women's concerns," said Mr Alig at Wharton.

Probably the most important step for schools is making sure there are enough women faculty members to act as role models for female students. Sponsoring discussion groups, lectures and conferences dealing with women's issues is also considered key. "We want these events to begin to form a network and become aware of the issues," says Ms Shannon. "But we don't just want to listen to women who've risen to the top. We also want to hear about women who've run into difficulties and why, so we know what we'll be facing after graduation."

Help with finances is essential. A number of schools – particularly in Europe – have scholarships specifically for women. IMD, in Lausanne, Lancaster University's Management School and Manchester Business School all have such programmes and London Business School is launching one shortly.

MBA programmes may also want to take a look at the way their classrooms are structured. "A lot of women find business courses too hard-nosed," says Centonze of the Lubin School, whose enrollment is about 40 per cent female, far higher than the norm. "Some schools expect students to take a position and defend it, even if they don't believe in it. Women have a hard time during that. We use more collaboration, less confrontational methods than other programmes, and I think that's one reason we attract more women."

Sue Emmott, is the first recipient of a Sainsbury MBA Bursary at the Judge Institute of Management Studies, Cambridge University's business school. To boost her skills at managing aid programmes, Ms Emmot wanted to be exposed to the rigours of the commercial world but without the scholarship, it might have been difficult for her to finance the education *Photo: Findlay Kember*

ADVANCED MANAGEMENT PROGRAMMES • by John Authers

Making friends at the top

Finishing schools for executives put the emphasis on the sharing of experiences

Advanced Management Programmes appear to be a relic of the past in executive education. Long a staple of many business schools' offerings, the old theory, or at least a caricature of it, was that AMPs could act as finishing schools for high-flying executives just before they graduate to the board.

They would arrive at business school for a residential course sometimes lasting three months – even though they were already at the level of seniority where companies could ill afford to spare them for this length of time. A fixed course would tell them all they needed to know to be directors.

Bob Stilliard, head of faculty at Ashridge College of Management in the UK admits: "That caricature was certainly the model 40 years ago. It taught 40 or 45 people in a room who would go through precisely the same experience. Occasionally they might have been devoted to action plans."

The courses tend to be shorter and more flexible these days. Four weeks is the norm, although even this presents problems for many companies, and several schools still take a lead in them. Individual coaching is offered by most providers.

The courses have also moved to take advantage of the increasing demand for training in leadership skills, and particularly in managing and leading change. While most advanced courses also offer standard fare to update executives in theories on financial engineering or marketing, companies are most prepared to pay for courses which will introduce their managers to the concepts of leadership.

In the US, the field is led by traditional power-houses which are dominated by research rather than teaching – Harvard, Kellogg, Stanford and Columbia. Schools which offer advanced programmes or close variations on the theme in the UK include the London Business School and Ashridge, also known for their research. However, schools offering the courses suggest that the main benefits for the participants will come from interacting with other class members, rather than from being given the latest research.

London Business School provides actors to help in sessions on learning how to negotiate, for example, while Kellogg even offers programmes in "nutrition, a complete health analysis and a life-style evaluation". Aerobics classes are offered throughout the four weeks of its course.

Meeting senior executives can help a faculty keep abreast of the latest ideas. Don Jacobs, dean of Kellogg, says that the school's advanced programmes provide the life blood for the rest of its courses.

Teaching methods are also adapted to suit the participants. As Liz Mellon, director of the senior executive programme at London Business School puts it: "Because our participants have very little patience in sitting in a classroom and being talked at by academics, we have a 20 minute maximum for lectures."

Basic skills, such as accountancy, are assumed, and courses instead concentrate on individual requirements, or on "big picture" issues. Kellogg, for example, covers topics such as "US trade policy" and "corporate governance". Classes are limited to about 40 people, to avoid classrooms turning into lecture halls. The emphasis is on individual self-development.

Ms Mellon admits that the networking opportunities are important for participants, and applicants are closely vetted to make sure that quality at each of the courses is not diluted. Typically, participants will be slightly over 40, they will have worked in more than one country and in more than one business function, and will have a salary in excess of $150,000.

The school tries to ensure that every participant will find themselves sitting next to someone who is equally senior, and equally ambitious. Kellogg institutionalises the networking opportunities by inviting all participants to a three-day reunion every two years in the middle of alpine scenery at the Burgenstock estates in Switzerland.

The key skill which all courses emphasise is leadership. According to Mr Stilliard: "The expectation is that people will make a step change around the question of facing up to their leadership style, and developing confidence in their ability to drive a business forward."

Networking is an important component of preparing for leadership, as by definition executives begin to find their jobs lonely, with fewer direct peers with whom they can share experiences, as they climb within a company.

As Ms Mellon puts it: "Leadership is a very lonely existence. You are isolated, and you can't share your weaknesses. You are working in a politically charged environment and you don't necessarily want to fight people. Most importantly, you're fired up, but you don't have the time to think."

CHANGING PLACES • by Della Bradshaw

Deans' posts hard to fill

Top job proves to be a challenge for individuals from business and academia

From California to Carolina and London to Boston, business schools are getting new deans. Be it the increasing and conflicting demands of academia and the business community or the need for more active fund-raising, deans, principals and directors are all on the move.

According to the AACSB, the US business school accreditation body, there were 71 deans' jobs waiting to be filled in North America alone at the beginning of April. And many of the schools which are seeing a change at the top are among the world's most prestigious.

In January this year the Kenan-Flagler school at the University of North Carolina introduced its new dean, Robert Sullivan. And in July, London Business School in the UK and the Sloan school at MIT, the Goizueta business school at Emory university in Atlanta, Georgia, the Darden School at the University of Virginia, and the Haas school at Berkeley in California will all have new deans. Thomas Moore, former boss of the Arthur D Little management school, will take over as the dean of the graduate school of management and the executive centre at Babson. Others looking to fill the top slot include UCLA, in Los Angeles, the Georgia Institute of Technology and the universities of Toronto, British Columbia and Seattle.

But why are so many deans leaving? Some, such as Ron Frank at Emory and Glen Urban at the Sloan school are returning to academia. Others, such as Leo Higdon, former dean of the Darden School of Business, spread his wings and is now president of Babson, in Massachusetts. George Bain left London Business School to become the vice-chancellor of Queen's University, Belfast and also in the UK, David Weir has left Bradford University's management centre to take the top job at the Newcastle Business school at the University of Northumbria.

For many, the increasing demands of the top job remove the gloss off the position. Prof Bain, for example, who was the highest paid academic in the UK when he was principal at LBS, is thought to have quit the job because he had not the stomach for the fund-raising that was needed to put LBS on the map alongside US business schools.

His successor, John Quelch, a Harvard marketing professor, sees marketing as the key issue. "The principal agenda is to make the school more famous. The more I've seen the more impressed I've been with the faculty and the research. We need to make it more famous for what it already stands for."

But marketing and fund-raising are not necessarily the most gruelling tasks for a modern dean. Charles Hickman, director of projects and services at the AACSB believes the job description has changed. Technology is changing the way courses are taught – particularly irksome to older academics – and business schools are being forced to become more international.

Most deans in the US have had to overhaul their curriculum, change their internal processes and act as an agent of change in the universities to which most of them belong. "These roles are never popular," says Mr Hickman. "Some deans get chewed up by this."

Academic headhunter John Kuhnle, managing vice-president for educational practice at Korn-Ferry International, agrees. "Faculty always resist change," he says. "Everyone's for change unless it affects them."

Moreover Mr Kuhnle believes financial issues have a big role to play in many deans' decisions to quit. While business schools are frequently the cash cows of the universities, they usually do not get to keep the money. In periods of university retrenchment, as is visible in the US today, the money is often funnelled off to support ailing departments and the business school dean is thwarted in his or her attempt to develop the school.

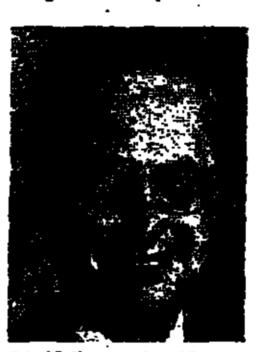
Altogether, says Mr Kuhnle, the business dean "is not the best job in the business school – the best job is a tenured full professor." Nor is the dean's position the most lucrative. While the dean is tied to fund-raising dinners and endless administration, the faculty are often earning huge sums for consultancy. "You have to have a big ego to do their job; you have to believe you can make a difference," says Mr Hickman. "There are a lot easier ways of earning a lot more money."

In recent years in the US there has been a trend towards the appointment of business people as deans – Tom Gerrity at Wharton, for example, and Rex Adams at Fuqua. In the UK Leo Murray, director at Cranfield and probably Britain's most enduring business dean, was also recruited from business.

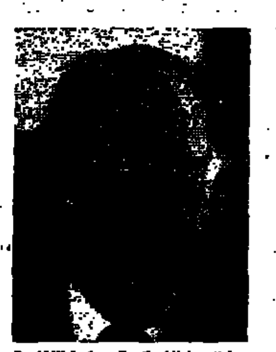
But there is no real indication whether business people or academics fare better in the job, says Tom Robertson, who will take over as dean at the Goizueta school at Emory university in July. He points to deans such as Donald Jacobs at the Kellogg school at Northwestern university as the sort of academics who have been highly successful in the job. "I don't think you can conclude that either business people or academics make better deans."

While academics may lack the marketing and management skills of a business person an industry dean may easily lose patience with the debating rather than co-operative perspective that faculty bring to the table, says Mr Kuhnle. "A typical corporate manager cannot stomach academics for long!"

Changes at the top in the UK and the US

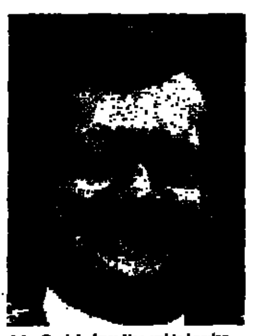


Robert Sullivan: new dean at Kenan-Flagler Business School, University of North Carolina, Chapel Hill



David Weir: from Bradford University's management centre to Newcastle Business School

Tom Robertson: from London Business School to Goizueta Business School, Emory University in Atlanta, Georgia



John Quelch: from Harvard to London Business School

Glen Urban: has quit as dean of MIT's Sloan School, Boston

William Hasler: has quit as dean of Haas School, Berkeley (San Francisco)

4 BUSINESS EDUCATION

PROFILE Babson

A fairy tale still unfolding

Once upon a time, there was a small, insignificant business school called Babson. The university, *located in a Boston suburb*, was considered so beneath notice, it didn't even appear on national rankings of MBA programmes. Much of its faculty was old and tired, many of its students lacklustre.

Prince Charming appeared in the form of a new university *president* – Bill Glavin, who took over in 1989. Prof Glavin, who had been vice-chairman of Xerox, decided Babson could do far better and embarked on an innovative overhaul of the school. He brought in young, dynamic professors and forced them to team up for inter-disciplinary courses that became the envy of many of the elite MBA programmes. He set up internship programmes for students at top companies, launched a "creativity" module that had students writing poetry and painting their first month at school, and established a live $2m investment fund for students to try their hand at stock-picking.

While no one knows if Babson will live happily ever after, the transformation of the school is as close as an MBA programme is likely to come to a rags-to-riches tale. The number of applicants has more than doubled since 1993, and student scores on the GMAT – the standardised test required for graduate admission – has risen by nearly 100 points. Gradnates' starting salaries surged 36 per cent from 1994 to 1997.

Babson's endowment more than tripled during Prof Glavin's reign to reach $116m in 1997. The school not only appears in national rankings, but is considered the best in the country in the increasingly popular area of entrepreneurship. The magazines Success and US News & World Report both placed Babson first in that category. Another sign of Babson's change in status is the appointment of Leo Higdon, former dean of the competitive Darden School of Business, as Babson's new president following Prof Glavin's retirement. By many measures, the school has not quite achieved "elite" status. Average student starting salaries, while greatly improved at $60,000 are still well below those of schools like Harvard or Stanford, whose graduating classes command over $80,000. While Babson has improved its finance department over the past two years by adding staff and inaugurating a student-run investment fund, it is still not a premier recruiting place for Wall Street firms.

Still, recruiters seem pleased with the changes. "We like Babson graduates because they have field work under their belt and have an entrepreneurial edge to their thinking," says Ellyn McColgan, president of Fidelity Investments' tax exempt services division. "Babson is at the beginning compared to the elite schools in getting its finance area up to par, but it's doing a pretty good *job*."

An emphasis on practical experience sets the school apart. In Babson's entrepreneurship module, students are given seed money to start their own business. A mentorship programme, established in 1993, has students offering consulting services to local businesses. A one-year-old investment fund, run by the students, gives them an important chance to try their hand at investment management.

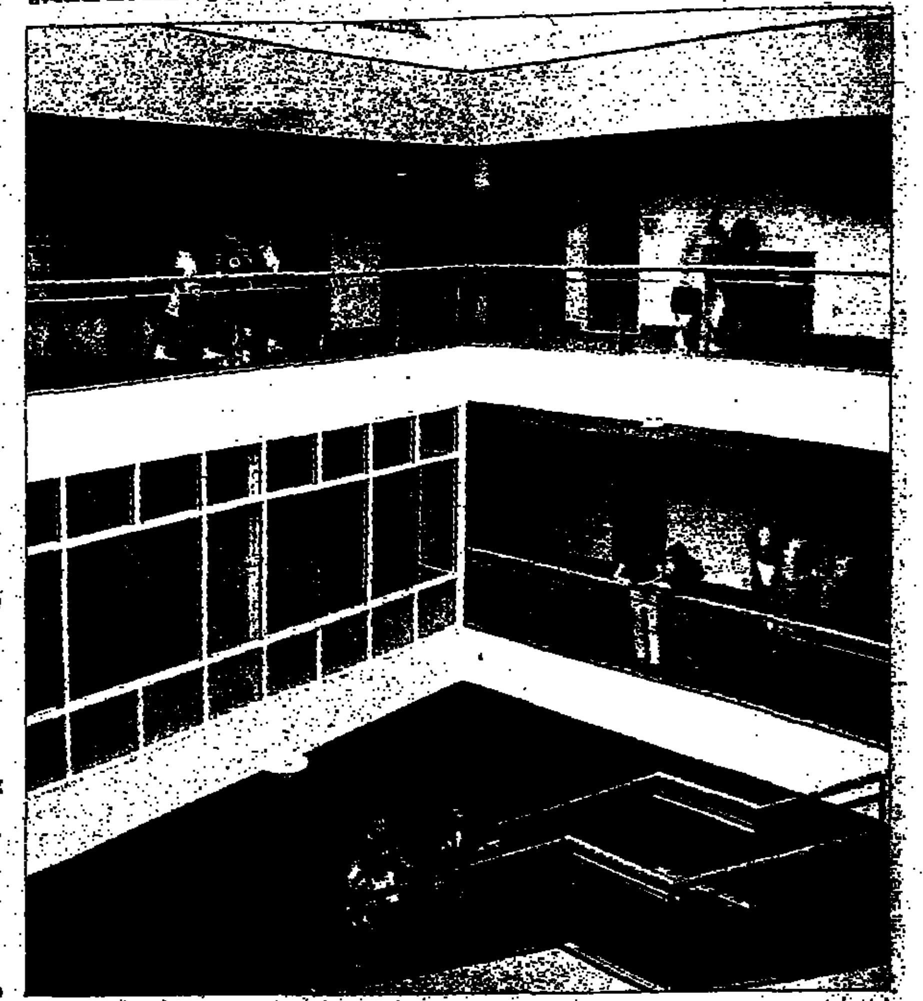
"Other schools give the students real money to play with, but our fund distinguishes itself by being as close to the real thing as possible," says Prof Higdon. "We have compliance agreements, client meetings, analysis - the whole operation." The school is considering adding emerging markets and small company funds to the portfolio.

Creative thinking is a pillar of the curriculum. The month-long creativity module that kicks off the MBA programme is meant to give students the courage to "think out of the box". Recruiters say the method is working; they believe Babson graduates in general are more open to new ideas than MBAs from other schools.

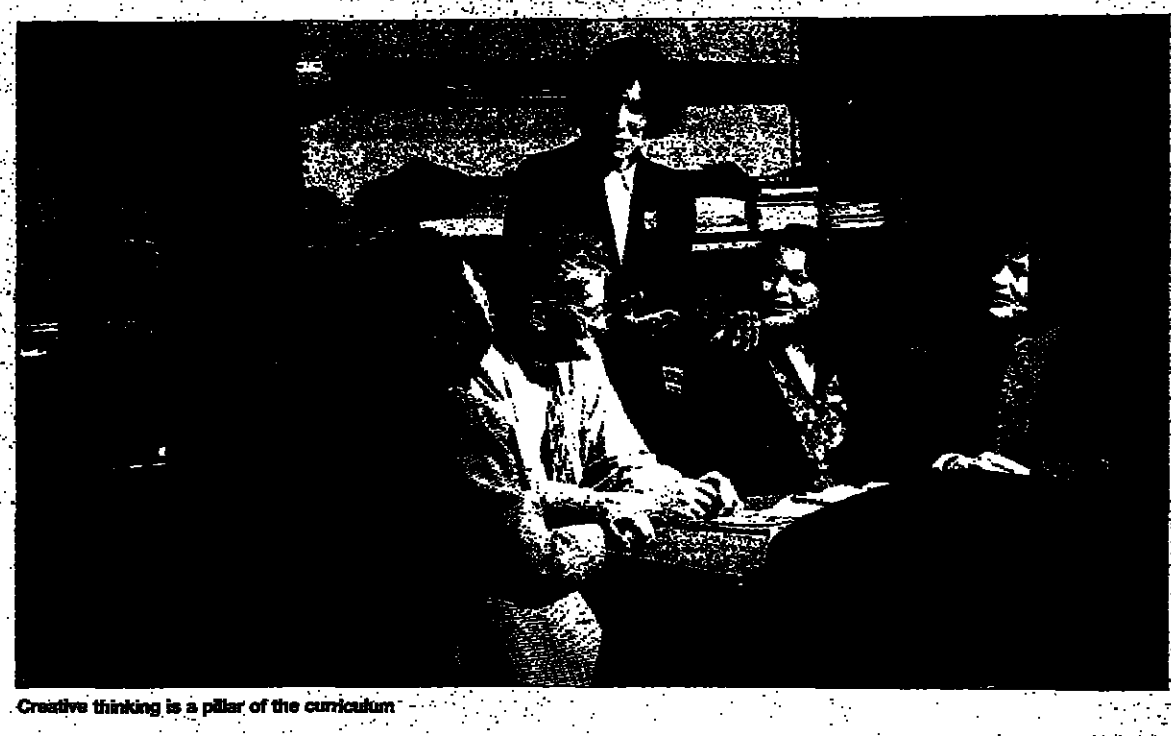
Babson's new status is partly due to luck. It is reaping the benefits of curriculum improvements just as many companies, hit by labour shortages in the US, are broadening recruitment beyond the elite schools. Babson's emphasis on entrepreneurship has also coincided with a surge of enthusiasm for the subject in recent years.

That doesn't detract from *Babson's* achievements. If anything, the element of chance makes the story seem more like a fairy tale.

Victoria Griffith



At one time insignificant, Babson is now attracting attention



Creative thinking is a pillar of the curriculum

PARTNERSHIPS • by Della Bradshaw

Image make-over for IT chiefs

Custom-made course downloads management development skills to IT staff

Every profession attracts its own prejudices: it is widely accepted that all accountants are boring, all journalists are scruffy alcoholics and all information technology staff are bespectacled nerds who simply cannot communicate.

Whatever the truth of the matter, BankAmerica recognised that as technology was central to the development of the bank's services, improved communications between its IT staff and the rest of the business was central to the development of customer services.

Like many large service companies in the mid 1990s, BankAmerica was moving away from the centralised IT department and migrating the technology to the various departments around the bank, says Denise Erickson, human resources manager at Base (Bank America Systems Engineering), the California-based organisation responsible for technology at BankAmerica. What the bank needed was a management programme that would support that strategy.

"One of the main objectives was to get some real good management training," says Ms Erickson. The technology department, she concedes, "had a very poor reputation across the bank."

Over the past two years BankAmerica has put its top 350 information technology staff, in the US and the UK, through management development courses to improve communications between Base and the rest of the organisation.

BankAmerica made a short-list of three organisations to develop the programme. Two of these were consultancies and the third, and the one which was successful, was the Centre for Custom Programmes at the Kenan-Flagler business school at the University of North Carolina at Chapel Hill, which is devoted exclusively to designing and delivering custom programmes.

Director of the centre, Jean Hauser, believes a business school could bring more to the table than a consultancy because it is backed up by the school's research base.

"It's the difference between a small town hospital and a teaching hospital," argues Hauser. "The difference with a university is the creation of new knowledge."

Prof Hauser's first step was to find out what the IT department's internal customers wanted from Base. At the end of her research she concluded the biggest issue was "how do we take these smart, lovely people (IT staff) and teach then to build business partnerships."

On the one hand the business units wanted Base to help them understand technology and its costs; on the other, Base managers wanted the business units to be able to share a common vision of where the technology might lead.

Hauser decided to design the programme as six, two-day modules. The first module dropped participants in at the deep end and focused on strategy and leadership. Prof Hauser gave participants the feedback she had gleaned from Base's internal customers. "That was not a happy day," says Hauser. "But really, they knew it already."

The second module was on how to become a better internal consultant and a better business partner. Prof Hauser describes the two days as a "fun module" with a lot of behavioural science in it, which many of the participants found difficult. Ms Erickson believes the emphasis on internal consultancy and the marketing of technology was one of the critical elements in the course.

Many were happier with the third module on finance. "They dug out their calculators and they really like that," says Prof Hauser. The fourth module was on marketing and the fifth returned to strategy and technology as an enabler. The sixth module, which has still to run, will take a class look at an internal issue and use action planning – a relatively new concept in the US – to solve the problem.

The role of the professor in action planning is of a *facilitator* rather than a lecturer, says Prof Hauser. "We run up and down the floor next to the people. We don't get to dress up and play!"

The decision to run the programme in two-day modules over two years had advantages and disadvantages. On the up-side, participants got time between modules to apply some of the ideas they had learnt in the workplace. But Prof Hauser believes the whole programme was probably too long, even though this was necessitated by the size of the group. With 350 participants in California and Croydon, in the UK, each module had to be taught seven times, to a group of 50 participants each time.

At the end of the day Ms Erickson says the people involved are "very happy" with the programme and that it has changed the way the technology staff work with the rest of the organisation.

However, the 350 staff on the programme are the most senior managers in Base – the total headcount is around 3,000 – and Ms Erickson says she would have been "very concerned" if these people had not taken the message on board. Her *next concern is how to bring* a similar message to the next level of managers.

Base's curriculum advisory body, which worked with Kenan-Flagler to produce the top manager programme, is now looking at the issues involved in training these middle managers using the bank's *internal* resources. If they can be transformed into consummate marketeers like their senior managers, the image of the IT manager might, just might, come in for revision.

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PROFILE St Gallen

From embroidery to economics

Switzerland is better known for the quality of its chocolate and watches, than for its world class business schools. Its best-known management school, the International Institute for Management Development (IMD), is based in Lausanne. But it is so global that it could be based anywhere in Europe.

By contrast, the closest pure Swiss equivalent to a US-style "Ivy league" business school is the Hochschule St Gallen (HSG St Gallen). This is where the real "movers and shakers" in German-speaking Switzerland, which accounts for two thirds of the Swiss population, and an even greater proportion of the country's economic power, do their basic training. It is one of Europe's smaller universities, and while the initials *lic.oec.HSG* , do not carry quite the same weight as a Harvard MBA, it is a prestige qualification for would-be entrants to the German-speaking business world.

The university is perched on the Rosenberg hill overlooking St Gallen, an old and picturesque town of 75,000 people in North East Switzerland. St Gallen takes its name from an abbey founded in 720 on a spot where a monk called Gallus died. In its heyday it was the cradle of the Swiss textile industry.

Hence, it is somewhat surprising that the forerunner of the University of St Gallen was only founded 100 years ago, and well after universities were established in the bigger Swiss cities of Basle, Zurich, Berne and Geneva. It began as a commercial academy orientated towards meeting the special needs of St Gallen's embroidery industry but has developed into the largest economics and management faculty in Switzerland.

A quarter of its 4,000 students come from outside Switzerland and the vast bulk of them are from Germany. For many German students, St Gallen's attraction is its promise of a cheaper and faster business education than rival German institutions, with the added bonus of being closer to some of Europe's top ski resorts. Non-Swiss students pay SFr850 (£344) per semester in tuition fees and the university estimates that the average living costs in St Gallen are between SFr1,500-SFr1,700 a month.

The roll call of St Gallen's alumni is heavily weighted towards bankers. Hans Meyer, president of the Swiss National Bank, did his doctorate on "short-term international credit aid" at St Gallen, and other banking alumni include Lukas Mühlemann, chief executive of Credit Suisse, Peter Wuffli, Swiss Bank Corporation's chief financial officer, Josek Ackermann, a board member of Deutsche Bank, and Bénédict Hentsch, managing partner of a Geneva private bank.

However, St Gallen does not specialise solely in producing Swiss bankers. Other famous old boys include Henri Meier, Roche's legendary chief financial officer, Prince Hans-Adam II who rules Liechtenstein, and Arnold Koller, Switzerland's justice minister, who is overhauling the Swiss constitution for the first time in decades. Meanwhile, Antoinette Hunziker-Ebneter, the new chief executive of the Swiss stock exchange, is a reminder that a fifth of St Gallen's students are now female.

St Gallen differs from other business schools in that it is primarily a university for undergraduate students, whereas IMD, is focussed on programmes for more mature business executives. About 800 students are on the various doctoral programmes but most students enter St Gallen around the age of 20 and spend the first two years on a common foundation course. It involves two semesters a year totalling 28 weeks and the four main compulsory subjects are business administration, economics, law, and mathematics/statistics/computer science.

There is a drop-out rate of about 35 per cent, but students who survive can then choose whether to study for a licentiate in economics, or opt for political science, law, or a management teaching qualification. About 75 per cent plump for economic sciences. St Gallen trains its students to be generalists but also stresses the benefits of having access to 27 institutes and research centres which range from investigating everything from business ethics to infomatics.

St Gallen's list of 75 professors does not have the eye-catching talent of some of its Anglo-American rivals, but it has produced some distinguished business academics. Hans Ulrich and Walter Krieg were well known for their research into systems theory and cybernetics and inventing the St Gallen management model in 1973. More recently, Bruno Gehrig, gave up his job as professor of business administration and head of St Gallen's research institute of banking and finance, to join the triumvirate running Switzerland's central bank.

St Gallen is very much a Swiss university. It receives two thirds of its SFr100m a year budget from public funds and raises the rest from the private sector. But although it restricts its foreign intake of students to 25 per cent, it is making increasing efforts to widen its international horizons.

In 1987 it launched an executive MBA programme and since 1990 it has been a member of the community of European Management Schools (CEMS). Heinz Hauser, a St Gallen professor, is president of CEMS which aims to foster co-operation between a dozen leading European management schools and over 40 international companies. It is keen to dilute the German bias in its doctoral programme by increasing the number of English-speaking students and is planning to launch an English-language masters degree course in international management.

St Gallen's other claim to fame in the increasingly competitive business school environment is its annual three-day International Management Symposium. Unlike some other ventures, it is organised purely by the student community and attracts over 300 business and political leaders a year. This year's event, scheduled for late May, is entitled "Success in Times of Paradox". It could make a fitting title for St Gallen's own recruiting brochures for what is now regarded as one of the top three business schools in the German speaking part of Europe.

William Hall

Hans Meyer moved on to be president of the Swiss National Bank

Prince Hans-Adam II who rules Liechtenstein is another old boy

CASE STUDIES • by George Bickerstaffe

Bringing studies to life

Simulations introduce "lots of bad weather in a risk-free environment"

The impact of technology on teaching at business school has probably been greatest in the application of multimedia technology to case studies, one of the most prevalent teaching methods in business education. The "case method" – using narratives of real situations to teach theoretical principles was in use at Harvard Law School (using summaries of court cases, hence the name) in 1870. Harvard Business School picked up the idea in the 1920s.

Cases are traditionally print based, often very long and combining a narrative with detailed statistical analysis. Most business schools are now developing multimedia case studies for on-screen viewing that combine traditional data with video clips of interviews with company executives, suppliers and customers, TV advertising and production facilities. Cases are either supplied on CD-ROM or available over the Internet.

London Business School, for example, has posted a case study on UK airports management group BAA on the Web. Marketing professor Tom Robertson, who will soon take over as dean of the Goizueta in Atlanta, Georgia, says that the advantage of multimedia is that "these technologies bring the cases to life for students. They add a richness."

Prof Robertson adds that apart from video one of the most interesting uses of technology is the ability to add specialised software to cases that allows students to carry out more manipulation of data, for example sensitivity analysis. "Students react very positively to interactive cases.

"Nowadays they are very comfortable with IT and in some ways expect us to use it. To an extent we are just teaching in a way that is compatible with students' skills. I don't think it makes it easier for students. It's not spoon feeding them."

Harvard Business School, which has long-dominated the writing and distribution of traditional text case studies, is now also one of the most advanced centres for multimedia cases. Kim Clark, dean of HBS, has been ruthless in pushing the school into leadership in the application of technology to business education, spending over \$10m (£5.9m) in a year to provide HBS with one of the best campus information networks in the world.

In one MBA course at HBS – Designing, Managing and Improving Operations, taught by HBS professor David Upton, course material has been reformatted for electronic use with cases designed to be read on screen. Content remains "locked" until the appropriate time in the course, when it becomes accessible.

Prof Clark comments that multimedia technology is taking the case study approach much further than its paper version. "The technology allows us to do things like create a case structure in which the students actually have to search for data. It's not a linear narrative, it's more like what the world's like – it's messy and the problem isn't framed for you."

In an interactive case used by HBS marketing professor John Quelch (who will this year take over as principal of London Business School) for his International Marketing Management course, students have to guide the advertising strategy in the UK of chip manufacturer Intel during the first quarter of 1993.

The case contains extensive industry and company data and video clips of Intel executive presentations, customer focus groups and past advertising. With a budget of \$125,000 students have to weigh the merits of alternative advertising strategies, commission the production of selected advertisements and purchase qualitative and/or quantitative research on the copy options.

Finally, they have to make recommendations on which advertisements to run and the emphasis given to each.

Insead, based at Fontainebleau outside Paris, developed its first multimedia cases in 1992. But, according to Albert Angehrn, professor of information systems at Insead and head of its centre for advanced learning technologies, the use of multimedia cases does not much improve the learning of students in terms of retention and comprehension over traditional text cases.

"Multimedia cases get high user satisfaction ratings," Prof Angehrn says, "but we are not in entertainment we are in learning. We have found that people learn best through some sort of simulation. The problem is that managers think they know it all. Cases can make them detached."

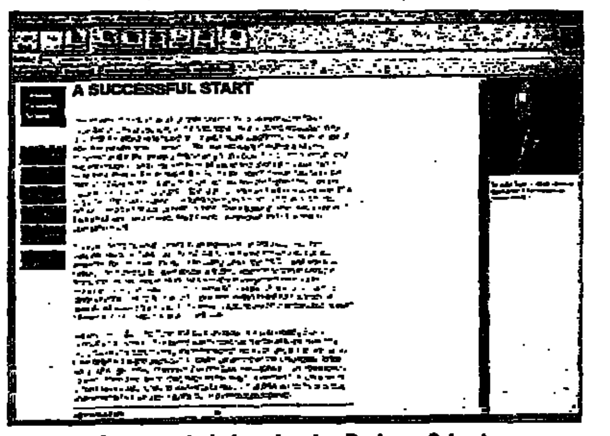
Prof Angerhn and Insead are now working on what he calls "major flight simulations", appropriately enough since the work is for Lufthansa, KLM and SAS. "We want to make clear to managers they are not as good as they think they are," he says. "Simulations do that. You can introduce lots of 'bad weather' in a risk-free environment."

Prof Angerhn remains clear that multimedia technology is a major advancement. But he is now also sure, he says, that simply applying it to traditional pedagogical models is not enough. But if, as Angerhn says, Insead was the "the first to start multimedia cases and the first to stop", their growth nevertheless seems irresistible.

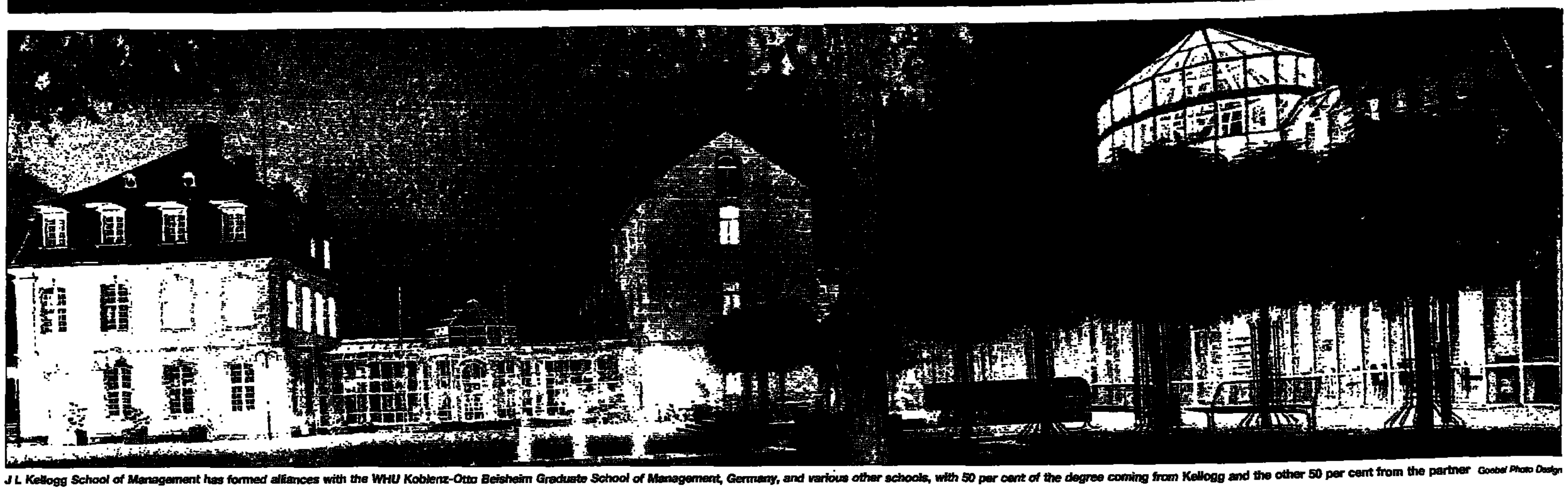
They are, for example, already moving out of the business school classroom. UK training company Xebec has linked with global audit and consulting group Price Waterhouse to produce a multimedia CD-ROM training programme for middle and senior managers. This uses a number of real-life and fictional case studies. Real cases include US cruise group Carnival Cruise Lines, Hong Kong investment and management company First Pacific and Ford Motor Co.

"Expert tuition, tutorials and real-life case studies are the hallmarks of business schools," says Xebec managing director Chris Horseman. "By combining these elements in a high-quality interactive environment students feel involved, challenged and in control. And the CD-ROM format means that managers have the opportunity to get to grips with the art of business strategy wherever and whenever it's convenient."

Prof Robertson at LBS comments that "to some extent this kind of case is more expensive and time-consuming to produce". He also suspects, he says. That "they may have a shorter shelf-life than paper cases". But, as he also points out, shelf-life is falling everywhere. "Students, especially practising managers, regard anything over three or four years old as ancient history."



An interactive case study from London Business School



J L Kellogg School of Management has formed alliances with the WHU Koblenz-Otto Beisheim Graduate School of Management, Germany, and various other schools, with 50 per cent of the degree coming from Kellogg and the other 50 per cent from the partner *Goebel Photo Design*

OVERSEAS ALLIANCES • by John Authers

A fork in the road to global enlightenment

Schools face dilemma as they try to expand without diluting their reputation

Two US business schools, separated by only a few miles of the Lake Michigan shoreline in Chicago, are both attempting to achieve globalisation of their courses, and offer them in other cities across the world. But they have chosen totally different ways to do it.

Their choices illustrate perfectly the dilemmas faced by all business schools as they try to establish a global presence – how to ensure that expanding their presence and franchise does not result, through poor quality control, in diluting their reputation.

J L Kellogg School of Management, the business school for Northwestern University in the northern suburbs of Chicago, has opted for franchising, and has built alliances with other business schools across the world.

The University of Chicago Graduate School of Business, like Kellogg frequently ranked in the top ten US business schools, has taken the opposite strategy. It has built its own campus in Barcelona, Spain, without linking with local institutions, and plans to use the same strategy to build elsewhere, probably starting in Hong Kong.

Robert Hamada, dean of Chicago, suggests that this was the only way to tackle the problem of quality control: "Our faculty didn't want to give out our degree when half the courses are taught by another faculty and held in the other faculty's premises. We would have lost our own autonomy and control of standards for the degree."

Rather than enter into the awkward job of evaluating other business schools and their faculties, he said, "the easiest way to do it was to do it ourselves".

Prof Hamada draws an analogy with industrial companies. "If you were working for IBM or Ford you wouldn't think twice about setting up a wholly owned foreign company. But what university has done that? It was unique to do it this way, and we felt from a marketing and public relations standpoint it would have a bigger impact. I think that's been proved true."

A final point, for Prof Hamada, was that setting up a foreign school forced the faculty to be truly international in their perspective, from the bottom up. Rather than rely on professors from another school in Europe to provide a separate viewpoint, they had to incorporate a broad view which would introduce Europeans and Asians into all their course designs.

Faculty members go from Chicago to teach the 80 students each year, almost all of them Europeans, who attend the school in Barcelona, which was built specially and is owned by the university. In their second summer they all have the opportunity to study in Chicago, which virtually all of them take up. They augment a student body in Chicago which was already far from overwhelmingly American, with between 25 and 30 per cent of students coming from overseas.

A few miles to the north on the Kellogg campus, dean Donald Jacobs has for a long time been the high priest of global alliances. He organised a conference on the subject a decade ago.

"My argument at the time was that that in the world we lived in there was no business school which could operate alone. It was impossible that you could develop reach on your own, so you had better think about how you could form your alliances."

A decade on, Kellogg has firmly taken this route. Opting against merely offering executive education programmes in joint ventures, because these would seem "too fleeting" and would not persuade students that they were part of the institution, Kellogg decided to launch degree programmes around the world.

Using technology transfer to help deliver the degrees, he set out to establish alliances in each area of the world, with the aim that the "sun would never set on Kellogg". For each school, Kellogg's Masters degree is delivered jointly, with 50 per cent coming from Kellogg faculty, and 50 per cent from the partner's. This way, each programme was supposed to develop the nuances of its region.

So far, links have been established with the University of Tel Aviv's Recanati School of Business in Israel and with the Hong Kong University of Science and Technology. All participants have to spend time at the Kellogg's Allen centre in Chicago, where they work on courses in negotiation – which given their backgrounds tends to give many of them useful insights in developing future cross-border deals.

A similar link with a German school is also in the pipeline, and Kellogg has also consulted on the creation and growth of business schools in Bangkok and Beijing. Future projects include a joint venture with the University of Pennsylvania's Wharton school to build a business school in India.

Quality control for the programmes stems from knowing the respondent institutions well, and from working closely with them to deliver the education, according to Prof Jacobs.

Most importantly, he believes that involving another institution's faculty is vital to globalisation of Kellogg's own courses in Chicago. "We have enormous interchange of faculty from these schools which we otherwise would not get." New concepts have been added to Kellogg's teaching which "we otherwise would not have dreamt of".

Despite the totally different philosophy adopted by his nearby rival, Prof Jacobs is adamant: "We believe that if you are going to be a global institution, you need global alliances."

Robert Hamada, dean of Chicago, says his school has sought to retain autonomy and control of standards for its degree

PROFILE University of Hong Kong School of Business

Building on western platform

The University of Hong Kong School of Business may be young - in its present incarnation, just two years old - but it is big on ambition.

It describes its aim as seeking "to rank as one of the best in Asia, if not the best, in the next century". To this end the focus is squarely on business and management within the Asia Pacific region and, specifically, Hong Kong and China.

This creates certain challenges: the body of management theory material is predominantly western in origin and so-called Asian practices are in something of a state of evolution - not least because the reins at the big companies are being passed to a generation whose qualifications often include an MBA from the US.

To overcome this, the School of Business is making efforts to build up its own repository of Asian practice and theory. The government-funded Research Grants Council has committed more than HK$6m to develop Asian business case studies, a comprehensive portfolio which business schools across the world will be able to access.

Dr Ali Farhoomand, leader of the team working on the case studies, says: "As the world's economic centre of gravity moves from west to east, the distinctive nature of firm strategies, managerial styles, human resource practices, use of information and corporate governance found in Asian nations is increasing in importance, not just to managers in Asia, but to managers worldwide."

In classes, the school seeks to "add the local to the global," says Dr James Newton, a lecturer at the school. "We work on western academic output. That's the platform, then we build on it."

Building on this includes capitalising upon links with China. The School will also offer an MBA in China through a joint venture with Shanghai Fudan University.

At home, plans are afoot to establish a Chinese Management Centre to lead research on the management of Chinese firms in the next century. The Centre conducts research and executive development programmes in three areas: Chinese culture and management practice; evolution of the Chinese firm; and managing customer relationships.

Beyond China, an Apec study Centre has been set up – reflecting the territory's role as a member of the Asia Pacific Economic Co-operation – to generate quality research on business and policy issues in the region. The Centre's three-point focus is on competitiveness, financial services and trade policies.

For students, the school offers two undergraduate degrees, a Bachelor of Business Administration in management and marketing, and a more specialised Bachelor's degree in accounting and finance, as well as the MBA and research degrees (a programme which is supported by the private sector).

Despite its academic west-to-east platform, the 90 per cent of students come from Hong Kong, a reflection of its part-time syllabus, and while the language of learning is English, inter-class work is inevitably carried out in Cantonese, the local dialect.

Until recently the MBA course could only be done in three years, thus ruling out those working in Hong Kong on shorter contracts. This could change with the introduction of the two-year course, which better fits in with the typical expatriate overseas contract.

The school is resolute about its decision not to offer full time courses. "The part-time market is where the most interesting people are," says Dr Newton. "The ones that give up a job and study full time are not in touch with the coalface. And we find people are not willing to get off the career ladder."

The MBA programme takes in around 80 to 90 students a year in two classes, for which it receives around 400 to 450 applications.

Famous sons of the School are noticeably those who have not slotted into family companies - Philip Chen, the number two at Cathay Pacific, Hong Kong's de facto flag carrier, and Linus Cheung, who heads up Hongkong Telecom and came through a previous incarnation of the School of Business.

The School has witnessed a fair degree of upheaval in its short life - the transfer of sovereignty in July 1997 and the more recent Asian financial crisis.

This may add to the load of applications. "In times like this people feel that they need to improve their own abilities, because that will improve their prospects of remaining within a job and increase their knowledge of what is going on," says Dr Newton.

Louise Lucas

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CURRENCIES & MONEY

Focus on Japan

By Richard Adams

The market's focus remains firmly on Japan and the yen this week, although UK economic data to be published have the potential to surprise sterling investors.

US demands for Japanese action to stimulate domestic demand could intensify if Japan's trade surplus for the first 20 days in March, published today, shows a surplus approaching the near 90 per cent rise of February.

A strong surplus will keep up pressure to support the yen against the US dollar in a market where many traders remain wary of further intervention.

The Bank of Japan's monetary policy committee meets on Friday, but the market's focus will be on that day's announcement of the government's latest Y16,000bn stimulus package.

The difficulty faced by both US and Japanese authorities – as seen in the G7 statement – is that demands for a strong dollar and strong yen are incompatible. Stephen Roach, chief economist for Morgan Stanley Dean Witter in New York, says: "In the zero-sum realm of foreign exchange markets, it is rather difficult to conjure up a scenario that results in both a strengthening yen and a strong dollar."

If the yen wins and the dollar loses, US financial markets "might actually correct", Mr Roach said. "Conversely, if the dollar wins and the yen loses, the Asian crisis could yet take another ugly turn for the worse."

In the UK, sterling traders face a busy week, with a series of big economic numbers published every morning. Most important are labour market statistics due Wednesday and first-quarter GDP figures on Friday. A surprise on the upside from either will set off interest rate sirens.

A continuation of the Franco-Dutch falling out over rival candidates to head the European Central bank could also help sterling and the Swiss franc, as safe haven currencies.

POUND SPOT FORWARD AGAINST THE POUND

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.4278	-0.0947	177 - 375	21.5269	21.3754	21.3577	3.9	21.2253	3.8	20.7252	3.3	102.6
Belgium	(BFr)	62.8421	-0.3352	150 - 692	63.1210	62.7220	62.632	4.0	62.2658	3.7	60.7591	3.3	101.7
Denmark	(DKr)	11.6127	-0.051	076 - 178	11.6621	11.5945	11.5782	3.8	11.5128	3.5	11.2650	3.0	103.8
Finland	(FM)	9.2459	-0.0405	386 - 531	9.2850	9.2250	9.2162	3.9	9.1591	3.8	8.942	3.3	80.0
France	(FFr)	10.2088	-0.0476	022 - 116	10.2597	10.1840	10.1738	3.9	10.1108	3.8	9.8717	3.3	105.1
Germany	(DM)	3.0458	-0.0135	442 - 489	3.0605	3.0369	3.0359	3.8	3.0171	3.7	2.9457	3.3	103.0
Greece	(Dr)	528.231	-4.147	653 - 809	531.781	527.121	530.364	-4.8	533.638	-4.2	547.122	-3.6	59.3
Ireland	(I£)	1.2078	-0.0068	063 - 088	1.2135	1.2041	1.2066	1.0	1.2037	1.3	1.1825	2.1	93.1
Italy	(L)	3010.17	-13.56	818 - 218	3023.14	3002.23	3005.49	1.9	2993.01	2.3	2928.41	2.7	75.2
Luxembourg	(LFr)	62.8421	-0.3352	150 - 692	63.1210	62.7220	62.632	4.0	62.2658	3.7	60.7591	3.3	101.7
Netherlands	(Fl)	3.4296	-0.0151	281 - 310	3.4447	3.4210	3.4184	3.9	3.397	3.8	3.3158	3.3	101.1
Norway	(NKr)	12.6362	-0.0493	302 - 461	12.6986	12.5992	12.6015	3.5	12.5331	3.3	12.2914	2.7	96.2
Portugal	(Es)	312.012	-1.404	835 - 189	313.468	311.352	311.286	2.8	309.648	3.0	302.368	3.1	91.1
Spain	(Pta)	258.639	-1.221	537 - 741	259.850	257.850	258.04	2.8	256.705	3.0	250.879	3.0	78.3
Sweden	(SKr)	13.0823	-0.0901	731 - 914	13.1187	13.0340	13.0507	2.9	12.9898	2.8	12.7591	2.5	86.8
Switzerland	(SFr)	2.5246	-0.0217	230 - 262	2.5477	2.5178	2.5116	6.2	2.4872	5.9	2.3908	5.3	105.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	107.7
Ecu	-	1.5358	-0.0073	342 - 358	1.5425	1.5317	1.5309	3.2	1.523	3.1	1.4892	3.0	-
SDR†	-	1.250650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6843	-0.0079	837 - 848	1.6969	1.6827	-	-	-	-	-	-	-
Brazil	(R$)	1.9227	-0.0077	220 - 233	1.9380	1.9212	-	-	-	-	-	-	-
Canada	(C$)	2.4100	-0.0224	088 - 111	2.4321	2.4079	2.4049	2.5	2.395	2.5	2.3578	2.2	82.6
Mexico	(New Peso)	14.3192	-0.0705	065 - 318	14.4092	14.3029	14.4616	-11.9	14.7528	-12.1	16.0625	-12.2	-
USA	($)	1.6850	-0.0074	845 - 855	1.6972	1.6835	1.6825	1.7	1.6776	1.8	1.6592	1.5	109.5
Pacific/Middle East/Africa													
Australia	(A$)	2.5826	-0.0233	808 - 843	2.5948	2.5777	2.5773	2.5	2.5684	2.5	2.5204	2.4	85.7
Hong Kong	(HK$)	13.0542	-0.0587	495 - 589	13.1474	13.0438	13.034	1.9	13.0162	1.2	13.1367	-0.6	-
India	(Rs)	66.8850	-0.3381	325 - 975	67.3700	66.8150	-	-	-	-	-	-	-
Israel	(Shk)	6.2831	-0.0258	724 - 938	6.2988	6.2714	-	-	-	-	-	-	-
Japan	(Y)	221.864	-1.186	731 - 997	223.770	221.230	220.619	6.7	218.079	6.8	207.429	6.5	117.8
Malaysia	(M$)	6.3882	+0.0185	758 - 965	6.4290	6.2348	6.4161	-6.0	6.4781	-5.8	6.6785	-4.6	-
New Zealand	(NZ$)	3.0165	-0.0437	134 - 195	3.0343	3.0057	3.0204	-1.6	3.0267	-1.3	3.046	-1.0	98.8
Philippines	(Peso)	63.9458	-0.8732	583 - 333	64.2372	63.5368	64.4424	-9.3	65.4659	-9.5	70.3727	-10.1	-
Saudi Arabia	(SR)	6.3199	-0.0278	177 - 220	6.3656	6.3145	6.3133	1.3	6.3001	1.3	6.2537	1.0	-
Singapore	(S$)	2.6960	-0.0169	935 - 985	2.7228	2.6911	2.6846	0.6	2.6918	0.6	2.5787	0.8	-
South Africa	(R)	8.4050	-0.0486	999 - 000	8.5344	8.4090	8.5412	-6.5	8.6212	-5.9	8.9413	-5.3	-
South Korea	(Won)	2332.88	-9.4	798 - 779	2346.94	2324.37	-	-	-	-	-	-	-
Taiwan	(T$)	55.6413	-0.1927	155 - 670	56.0368	55.6010	55.678	-0.8	55.7409	-0.7	55.7617	-0.2	-
Thailand	(Bt)	66.4734	-1.136	008 - 458	68.3060	63.7850	67.0748	-10.9	67.6494	-7.1	72.0948	-8.5	-

† Rates for Apr 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
[illegible]													
Singapore	(S$)	1.6000	-0.003	990 - 010	1.6090	1.5975	1.6015	-1.1	1.6045	-1.1	1.615	-0.9	-
South Africa	(R)	5.0415	-0.0055	400 - 430	5.0495	5.0365	5.0763	-8.3	5.139	-7.7	5.3887	-6.9	-
South Korea	(Won)	1384.50	+0.5	200 - 700	1387.50	1379.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.0215	+0.0305	160 - 270	33.0350	32.9980	33.0815	-2.5	33.2265	-2.5	33.6085	-1.8	-
Thailand	(Bt)	39.4500	-0.5	000 - 000	40.9500	37.7000	39.865	-12.6	40.325	-8.9	43.45	-10.1	-

† SDR rate per $ for Apr 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 16: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.24	4.847	1.922	4790	5.458	20.11	496.5	411.6	20.82	4.017	1.591	3.835	2.681	353.1	2.442
Denmark	(DKr)	54.12	10	8.789	2.623	1.040	2592	2.953	10.88	268.7	222.7	11.27	2.174	0.861	2.075	1.451	191.1	1.322
France	(FFr)	61.57	11.38	10	2.984	1.183	2949	3.360	12.38	305.7	253.4	12.82	2.473	0.980	2.361	1.651	217.4	1.504
Germany	(DM)	20.63	3.813	3.351	1	0.396	988.4	1.126	4.150	102.4	84.92	4.295	0.829	0.328	0.791	0.553	72.85	0.504
Ireland	(I£)	52.04	9.617	8.453	2.522	1	2493	2.840	10.47	258.4	214.2	10.83	2.091	0.828	1.996	1.395	183.7	1.271
Italy	(L)	2.088	0.386	0.339	0.101	0.040	100	0.114	0.420	10.37	8.592	0.435	0.084	0.033	0.080	0.056	7.370	0.051
Netherlands	(Fl)	18.32	3.386	2.976	0.888	0.352	877.7	1	3.685	90.97	75.41	3.814	0.736	0.292	0.703	0.491	64.69	0.448
Norway	(NKr)	49.72	9.189	8.076	2.410	0.955	2382	2.714	10	246.9	204.6	10.35	1.998	0.791	1.907	1.333	175.6	1.214
Portugal	(Es)	20.14	3.722	3.271	0.976	0.387	964.8	1.099	4.051	100	82.89	4.193	0.809	0.321	0.772	0.540	71.11	0.492
Spain	(Pta)	24.30	4.490	3.948	1.178	0.467	1164	1.326	4.886	120.6	100	5.058	0.976	0.387	0.932	0.651	85.78	0.593
Sweden	(SKr)	48.04	8.877	7.802	2.328	0.923	2301	2.622	9.660	238.5	197.7	10	1.930	0.764	1.842	1.288	169.6	1.173
Switzerland	(SFr)	24.89	4.600	4.043	1.206	0.478	1192	1.358	5.006	123.6	102.4	5.182	1	0.396	0.955	0.667	87.88	0.608
UK	(£)	62.84	11.61	10.21	3.046	1.208	3010	3.430	12.64	312.0	258.6	13.08	2.525	1	2.410	1.685	221.9	1.535
Canada	(C$)	26.07	4.818	4.235	1.264	0.501	1249	1.423	5.244	129.5	107.3	5.428	1.048	0.415	1	0.699	92.06	0.637
USA	($)	37.30	6.892	6.058	1.808	0.717	1786	2.035	7.500	185.2	153.5	7.764	1.498	0.593	1.430	1	131.7	0.911
Japan	(Y)	28.32	5.234	4.601	1.373	0.544	1357	1.546	5.696	140.6	116.6	5.897	1.138	0.451	1.086	0.759	100	0.692
Ecu	–	40.94	7.566	6.650	1.984	0.787	1961	2.234	8.234	203.3	168.5	8.523	1.645	0.652	1.570	1.098	144.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.5560	0.5548	-0.0009	0.5578	0.5543	20,096	89,491
Sep	0.5580	0.5574	-0.0009	0.5594	0.5574	239	2,713
Dec	–	0.5599	-0.0009	–	0.5600	37	57

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.6697	0.6716	+0.0018	0.6758	0.6689	11,492	61,974
Sep	0.6796	0.6783	+0.0019	0.6810	0.6777	30	1,274
Dec	-	0.6848	+0.0019	0.6870	–	1	17

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.7649	0.7647	-0.0004	0.7692	0.7625	23,668	88,372
Sep	0.7750	0.7747	-0.0004	0.7785	0.7744	110	1,973
Dec	0.7850	0.7847	-0.0004	0.7870	0.7845	50	242

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.6870	1.6800	-0.0064	1.6922	1.6760	9,865	46,853
Sep	1.6770	1.6732	-0.0064	1.7000	1.6720	30	714
Dec	1.6682	1.6664	-0.0064	1.6682	1.6660	34	53

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls May	Calls Jun	Calls Jul	Puts May	Puts Jun	Puts Jul
1.680	1.59	2.17	2.55	1.43	2.22	2.81
1.690	1.14	1.72	2.14	1.99	2.74	3.37
1.700	0.78	1.34	1.74	2.58	-	-

Previous day's vol., Calls 331 Puts 271. Prev. day's open int., Calls 7,235 Puts 29,368

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls May	Calls Jun	Calls Jul	Puts May	Puts Jun	Puts Jul
0.550	0.78	1.07	1.30	0.39	0.57	0.75
0.555	0.51	0.79	1.05	0.61	0.82	0.98
0.560	0.33	0.58	0.80	0.92	1.11	1.26

Previous day's vol., Calls 0 Puts 325. Prev. day's open int., Calls 5,698 Puts 15,131

BENCHMARK GOVERNMENT BONDS

Apr 17	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.8981	4.91	+0.01	+0.03	-0.08	-1.49
	10/07	10.000	131.8519	5.58	+0.02	+0.04	-0.13	-2.22
Austria	09/99	7.000	103.8600	4.15	-0.01	+0.02	+0.12	+0.18
	07/07	5.625	105.0500	4.93	-0.02	-	-	-0.92
Belgium	01/00	4.000	99.6800	4.18	-0.01	+0.06	+0.17	+0.51
	03/07	6.250	109.2800	4.94	-0.01	+0.01	-	-0.98
Canada*	09/99	4.750	99.7500	4.93	-0.03	+0.09	+0.03	+0.07
	06/07	7.250	114.1200	5.26	+0.01	+0.03	-0.09	-1.44
[illegible]								

WORLD INTEREST RATES

MONEY RATES

Apr 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¾	3¾	3⅞	3⅞	3⅞	6.00	2.75	–
week ago	3½	3¾	3⅞	3¾	3⅞	6.00	2.75	–
France	3⅝	3¾	3⅞	3⅞	3⅞	4.60	–	3.30
week ago	3¾	3⅝	3⅞	3⅞	3⅞	4.60	–	3.30
Germany	3¾	3⅝	3⅝	3⅞	3⅞	4.50	2.50	3.30
week ago	3¾	3½	3⅝	3⅞	3⅞	4.50	2.50	3.30
Ireland	5⅝	6⅜	6¼	5⅞	5⅜	–	–	6.75
week ago	5⅝	6¼	5⅞	5⅞	5⅜	–	–	6.75
Italy	5⅝	5⅝	5⅜	4⅞	4½	7.00	5.50	5.63
week ago	5⅝	5⅝	5⅜	4⅞	4⅝	7.00	5.50	5.63
Netherlands	3⅜	3⅝	3¾	3⅞	3¾	–	2.75	3.30
week ago	3⅜	3⅞	3½	3¾	3⅞	–	2.75	3.30
Switzerland	1½	1⅜	1¾	1⅞	1⅞	–	1.00	–
week ago	1⅛	1⅜	1⅝	1½	1¾	–	1.00	–
US	5½	5⅝	5⅝	5⅝	5¾	–	5.00	–
week ago	5½	5⅝	5⅝	5⅝	5⅞	–	5.00	–
Japan	⅜	⅜	½	½	½	–	0.50	–
week ago	⅜	⅜	⅜	⅜	⅜	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	5⅝	5⅝	5⅝	5⅞	–	–	–
week ago	–	5⅝	5⅝	5⅝	5⅞	–	–	–
US Dollar CDs	–	5.42	5.45	5.48	5.58	–	–	–
week ago	–	5.44	5.44	5.47	5.51	–	–	–
ECU Linked Ds	–	4⅛	4⅛	4⅛	4⅛	–	–	–
week ago	–	4⅛	4⅛	4⅛	4⅛	–	–	–
SDR Linked Ds	–	3¾	3¾	3⅞	3⅞	–	–	–
week ago	–	3¾	3¾	3⅞	3⅞	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3⅜	3⅝ - 3⅜	3¾ - 3⅝	3⅞ - 3⅝	3⅞ - 3¾	4 - 3⅞
Danish Krone	4 - 3½	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3⅝	4⅛ - 3⅞	4¼ - 4⅛
German Mark	3¾ - 3⅝	3⅞ - 3⅝	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3⅝
Dutch Guilder	3⅝ - 3½	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3⅝
French Franc	3⅝ - 3⅝	3⅝ - 3⅜	3½ - 3⅜	3⅝ - 3⅝	3¾ - 3⅝	3⅞ - 3⅝
Portuguese Esc.	4⅝ - 4⅝	4⅝ - 4½	4⅝ - 4⅝	4⅛ - 4⅞	4⅛ - 4⅛	4⅛ - 4⅛
Spanish Peseta	4¾ - 4½	4¾ - 4½	4⅝ - 4⅝	4⅝ - 4⅛	4⅝ - 4⅛	4⅛ - 4⅞
Sterling	7¾ - 7¼	7⅛ - 6⅞	7⅞ - 7⅛	7⅛ - 7⅝	7⅞ - 7⅝	7⅞ - 7¼
Swiss Franc	1 - ½	1¼ - 1⅛	1½ - 1⅛	1⅛ - 1⅛	1⅞ - 1⅝	1⅞ - 1⅞
Canadian Dollar	4¾ - 4⅝	4⅞ - 4⅝	4⅞ - 4¾	4⅞ - 4⅞	5 - 4⅞	5¼ - 5
US Dollar	5½ - 5⅜	5⅝ - 5½	5⅝ - 5⅝	5⅝ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞
Italian Lira	6½ - 5¼	5⅞ - 5⅝	5½ - 5⅜	5⅛ - 5⅛	4⅞ - 4⅞	4⅝ - 4⅛
Japanese Yen	½ - ⅜	⅝ - ⅜	¾ - ⅝	⅝ - ⅜	⅝ - ⅜	⅝ - ⅜
Asian $Sing	4½ - 4¼	7¼ - 5	7½ - 6	7¼ - 6¾	7 - 6¾	7⅛ - 6¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.31	94.31	+0.01	94.32	94.31	61,785	473,079
Sep	94.29	94.30	+0.02	94.32	94.29	73,206	413,035
Dec	94.23	94.22	+0.01	94.25	94.22	69,710	324,831

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.08	95.08	–	95.09	95.08	416	4,199
Sep	95.12	95.09	+0.01	95.12	95.08	26	585
Dec	-	95.09	–	–	–	6	11

All Open interest figs. are for previous day

■ POUND IN NEW YORK

Apr 17	– Close –	– Prev. close –
£ spot	1.6845	1.6920
1 mth	1.6820	1.6895
3 mth	1.6770	1.6846
1 yr	1.6590	1.6664

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

■ OTHER CURRENCIES

Apr 17	£	$
Czech Rp	56.6801 - 56.7811	33.6480 - 33.6880
Hungary	355.514 - 355.809	211.050 - 211.100
Iran	5056.50 - 5053.50	3000.00 - 3000.00
Kuwait	0.5141 - 0.5148	0.3052 - 0.3054
Peru	4.7436 - 4.7514	2.8160 - 2.8180
Poland	5.7138 - 5.7223	3.3920 - 3.3950
Russia	10.3445 - 10.3574	6.1410 - 6.1450
U.A.E.	6.1867 - 6.1910	3.6727 - 3.6731

BANK RETURN

The Bank Return table can be found on page 28 in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Apr 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6	7¼ - 6¾	7⅝ - 7¼	7½ - 7⅝	7½ - 7⅝	7½ - 7⅝
Sterling CDs	-	-	7⅞ - 7⅝	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞
Treasury Bills	-	-	7¼ - 7⅛	7⅛ - 7⅛	-	-
Bank Bills	-	-	7⅛ - 7⅛	7⅛ - 7¼	7⅞ - 7⅛	-
Local authority deps.	7⅛ - 7	7¼ - 7	7⅞ - 7⅛	7⅞ - 7⅞	7⅞ - 7⅞	7¼ - 7⅞
Discount Market deps	7½ - 7	7⅛ - 7⅛	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Apr 9. 7.0052pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1998. Agreed rate for period Apr 26, 1998 to May 25, 1998, Scheme III 8.79pc. Reference rate for period Feb 28, 1998 to Mar 31, 1998, Schemes IV & V 7.554pc. Finance House Base Rate 8pc from Apr 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 17	Apr 9		Apr 17	Apr 9
Bills on offer	£100m	£100m	Top accepted rate	6.9992%	7.0192%
Total of applications	£599m	£620m	Ave. rate of discount.	6.9913%	7.0052%
Total allocated	£100m	£100m	Average yield	7.1153%	7.1297%
Min. accepted bid	£98.255	£98.250	Offer at next tender	£100m	£100m
Allotment at min. level	64%	26%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Bank plc	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)							
Treas 8½pc 1998‡‡		[illegible]	–	800	Ap27 Oc27	20.10	1753
Treas 15½pc '98‡‡		[illegible]	-1	836	Mr30 Se30	23.3	1308
Exch 12pc 1998		[illegible]	-1	3,980	My20 Nv20	9.5	1259
[illegible]							

	Notes	Price £	Wk % +/-	Amnt £m
Treas 11¾pc 2001-4		113⅛	-2	1,020
Treas 10pc 2004		119⅞	-3	23
Funding 3½pc 1999-4		[illegible]	-3	643
Conv 9½pc 2004		118⅞	-2	3,412
[illegible]				

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Anglo Am Ind R		[illegible]	15.6	[illegible]	2.7	1,434	26.8	-
Barlow	♣	[illegible]	10.0	[illegible]	2.6	1,182	8.12	-
Gold Flds Prop R		135¼	3.8	[illegible]	1.2	13.8	1.9	-
SA Breweries R	†	[illegible]	-.6	[illegible]	-	5,845	1.12	4113
Standard Bank		[illegible]	1.5	[illegible]	-	[illegible]	25.8	-
Tiger Oats		[illegible]	-4.3	[illegible]	2.8	1,346	8.12	-
Tongaat-Hulett R		744	8.9	[illegible]	2.7	222.3	8.12	-

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
FTSE 100 TRAINS		[illegible]	—	-	-	-	24.11	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- , Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1998. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: ‚ ex dividend; ‚ ex scrip issue; ‚ ex rights; ‚ ex all; ‚ ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Peel Hotel (AIM). Deletions: Tate & Lyle Prf (F&Pd), ITE Grp (Med), BAT Inds 12¼% Loan (Tob), AerTech (AIM).

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

BERMUDA
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

GUERNSEY
(REGULATED)(**)

IRELAND
(FSA RECOGNISED)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(FSA RECOGNISED)

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هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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ABN AMRO Funds - Contd.

Fleming Group (u)

Mercury Asset Management - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management

Swiss Bank Corporation

Eagle Star Intl Life - Contd.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	Yield Gross	City-Line
Old Mutual International - Contd.				
[illegible]				
Old Mutual International (Isle of Man) Ltd				
[illegible]				
PanEuroLife societe anonyme				
7, Rue de la Chapelle L-1325 Lux			00 352 450730	
[illegible]				
The Americas Trust Bank				
[illegible]				
Apax Bank & Trust Company				
[illegible]				
Arawis Capital Advisers LLC				
Arawis Clipper Ltd	$126.28		-	47193
Arc Investment Company Ltd				
[illegible]				
Ardent Investment Management Limited				
[illegible]				
Arisaig Partners (BVI) Ltd				
[illegible]				
Aristocrat Capital Management Ltd				
[illegible]				
Arnfield-Norman Investment Mgmt Inc				
[illegible]				
Arnhold and S. Bleichroeder, Inc				
[illegible]				

OTHER OFFSHORE FUNDS

[illegible]

● MANAGED FUNDS NOTES

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 17 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Apr 17 / Frs.)

[illegible]

CZECH REP (Apr 17 / Koruna)

[illegible]

DENMARK (Apr 17 / Kr)

[illegible]

FINLAND (Apr 17 / Mka)

[illegible]

FRANCE (Apr 17 / Frs.)

[illegible]

GERMANY (Apr 17 / Dm.)

[illegible]

GREECE (Apr 16 / Drachma)

[illegible]

ITALY (Apr 17 / Lire)

[illegible]

NETHERLANDS (Apr 17 / Fls.)

[illegible]

NORWAY (Apr 17 / Kroner)

[illegible]

POLAND (Apr 17 / Zloty)

[illegible]

PORTUGAL (Apr 17 / Escudo)

[illegible]

SPAIN (Apr 17 / Pts.)

[illegible]

SWEDEN (Apr 17 / Kronor)

[illegible]

SWITZERLAND (Apr 17 / Frs.)

[illegible]

TURKEY (Apr 17 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 17 / Yen)

[illegible]

AUSTRALIA (Apr 17 / AustS)

[illegible]

HONG KONG (Apr 17 / H.K.$)

[illegible]

INDONESIA (Apr 17 / Rupiah)

[illegible]

MALAYSIA (Apr 17 / MYR)

[illegible]

NEW ZEALAND (Apr 17 / NZ.$)

[illegible]

SINGAPORE (Apr 17 / S$)

[illegible]

SOUTH KOREA (Apr 17 / Won)

[illegible]

TAIWAN (Apr 17 / TW $)

[illegible]

THAILAND (Apr 17 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Apr 17 / Can $)
4 pm close

[illegible]

MONTREAL (Apr 17 / Can $)
4 pm close

[illegible]

MEXICO (Apr 17 / Peso)
12.30pm

[illegible]

AFRICA

SOUTH AFRICA (Apr 17 / Rand)

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 17 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY APRIL 16 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	216.42	9.1	192.19	181.79	205.24	222.65	9.0	3.49	218.88	191.75	182.33	205.69	224.16	243.87	190.26	217.24
Austria (23)	221.62	17.2	195.01	184.45	208.25	208.11	17.8	1.57	223.48	195.76	186.15	210.00	209.84	225.19	177.75	177.75
Belgium (26)	327.48	28.7	288.15	272.56	307.73	301.19	29.5	2.40	325.38	285.05	271.05	305.77	299.54	328.60	231.83	231.83
Brazil (30)	266.18	11.6	234.21	221.54	250.13	659.06	14.1	1.84	265.18	232.31	220.90	249.20	558.73	322.44	184.94	237.08
Canada (120)	247.96	16.7	218.18	206.38	233.01	258.81	18.7	1.66	247.41	216.74	206.10	232.50	257.49	247.96	182.91	183.90
Denmark (34)	516.00	15.3	454.04	429.47	484.89	483.67	16.1	1.25	517.77	453.60	431.32	486.57	485.33	521.81	350.99	350.99
Finland (28)	413.79	48.8	364.10	344.40	388.84	476.51	49.7	1.80	414.54	363.16	345.32	389.56	477.37	417.82	244.81	244.81
France (79)	301.94	26.2	265.68	251.30	283.73	288.90	27.0	2.04	301.14	263.82	250.86	283.00	288.22	305.13	209.81	216.46
Germany (58)	282.14	23.0	248.26	234.82	265.12	265.12	23.6	1.24	284.73	249.44	237.19	267.58	267.58	290.24	186.36	198.31
Hong Kong, China (66)	332.47	-8.9	292.54	276.71	312.42	330.99	-8.9	4.77	337.11	295.33	280.82	316.80	335.34	580.03	282.93	451.19
Indonesia (27)	57.70	-12.7	50.77	48.02	54.22	286.71	28.7	2.35	58.26	51.04	48.53	54.75	287.70	254.90	27.67	227.40
Ireland (16)	545.22	35.8	479.74	453.78	512.34	550.52	38.7	1.76	548.71	480.70	457.09	515.65	554.82	548.71	326.78	391.34
Italy (54)	173.43	47.4	152.60	144.35	162.97	231.38	48.9	1.08	172.35	150.99	143.57	161.96	229.96	177.15	85.70	88.45
Japan (480)	95.89	0.6	84.37	79.81	90.10	79.81	1.9	0.99	96.18	84.26	80.12	90.39	80.12	141.72	88.52	111.31
Malaysia (107)	184.64	12.3	162.47	153.68	173.51	269.51	9.4	2.56	185.87	162.84	154.84	174.67	269.34	565.79	113.58	545.58
Mexico (29)	1690.09	-8.3	1487.13	1406.66	1588.16	15703.07	-1.2	1.47	1694.48	1458.16	1386.54	1564.17	15473.17	1901.98	1335.40	1387.83
Netherlands (19)	496.83	21.2	437.16	413.51	466.87	461.54	21.7	2.00	495.36	433.96	412.64	465.51	460.17	507.01	340.57	340.57
New Zealand (14)	75.62	-1.0	66.54	62.94	71.06	71.89	2.9	4.54	75.54	66.17	62.92	70.98	72.53	96.47	71.49	84.52
Norway (38)	340.92	6.7	299.98	283.75	320.36	347.07	8.6	1.80	340.19	298.03	283.39	319.69	348.16	374.64	261.62	282.29
Philippines (22)	99.72	25.7	87.75	83.00	93.71	188.60	19.6	1.09	99.18	86.89	82.62	93.21	189.31	179.40	57.54	177.75
Singapore (42)	211.81	-5.9	186.37	176.29	199.03	156.17	-10.7	1.95	211.44	185.28	176.13	198.70	156.19	401.75	144.01	382.42
South Africa (43)	337.12	27.0	296.64	280.59	316.79	371.48	31.6	2.39	337.46	295.84	281.12	317.13	372.26	365.52	227.66	353.25
Spain (31)	389.85	43.4	343.04	324.48	366.34	453.34	44.5	1.69	386.76	338.82	322.16	363.45	449.88	395.69	218.53	218.53
Sweden (49)	599.17	27.6	527.22	498.69	563.04	668.87	24.9	1.70	604.87	529.73	503.71	568.24	663.54	610.82	405.00	421.39
Switzerland (30)	394.84	15.9	347.42	328.62	371.03	366.76	19.0	1.06	395.73	346.68	329.65	371.89	369.11	406.53	257.04	257.04
Thailand (39)	27.39	41.9	24.10	22.80	25.74	41.94	16.3	7.16	26.54	23.25	22.11	24.94	41.16	83.77	13.10	83.77
United Kingdom (209)	390.91	17.3	343.97	325.36	367.34	343.97	15.1	2.85	397.48	348.22	331.11	373.53	348.22	401.84	279.28	279.28
USA (637)	459.24	15.9	404.09	382.23	431.55	459.24	15.9	1.39	453.51	397.30	377.79	426.18	453.51	459.24	307.96	309.10
Americas (816)	416.44	15.6	366.43	346.61	391.33	351.73	15.7	1.40	411.48	360.46	342.75	386.67	347.59	416.44	281.84	282.92
Europe (694)	356.29	23.2	313.50	296.54	334.80	336.47	22.8	2.00	358.55	314.11	298.68	336.95	338.22	363.50	242.65	242.65
Nordic (149)	521.39	28.5	458.78	433.95	489.95	528.25	25.3	1.67	524.57	459.55	436.98	492.96	530.80	529.37	355.77	361.76
Pacific Basin (870)	106.68	0.8	93.88	88.80	100.26	89.47	1.5	1.66	107.11	93.83	89.22	100.65	89.92	158.99	95.32	130.37
Euro-Pacific (1584)	210.72	15.6	185.42	175.38	198.01	182.46	15.5	1.80	211.91	185.64	176.52	199.14	183.40	216.04	172.03	177.17
North America (757)	445.82	15.9	392.28	371.05	418.93	445.65	16.9	1.40	440.45	385.86	366.91	413.91	440.36	445.82	300.29	301.43
Europe Ex. UK (485)	327.92	26.3	288.54	272.93	308.15	322.64	27.3	1.56	328.20	287.52	273.40	308.43	323.12	333.88	218.94	217.60
Pacific Ex. Japan (390)	202.66	1.1	178.32	168.67	190.44	202.81	0.3	3.82	203.99	178.71	169.93	191.70	204.49	318.98	161.31	290.28
World Ex. US (1786)	215.20	15.5	189.36	179.11	202.22	190.35	15.5	1.89	216.24	189.44	180.14	203.21	191.24	220.18	175.30	180.56
World Ex. UK (2214)	284.68	15.4	250.49	236.94	267.51	260.35	15.8	1.49	282.81	247.76	235.59	265.77	258.75	287.02	215.84	215.84
World Ex. Japan (1943)	392.00	17.7	344.93	326.26	368.38	384.94	17.9	1.70	390.08	341.74	324.96	366.59	382.99	394.39	277.49	277.49
The World Index (2423)	293.68	15.7	258.41	244.43	275.97	267.95	15.7	1.63	292.48	256.23	243.65	274.86	266.84	298.57	221.32	221.32

 CONSTITUENT CHANGES DURING THE WEEK ENDED 17/4/98: [illegible]. PLEASE NOTE: Amendments to indices 15/4/98 & 16/4/98 applied to New Zealand, related regional indices and The World Index.

Emerging markets: IFC Investable Indices

Dollar terms

[illegible]

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 17

1998 High	1998 Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chg'e Prev. Close
- A -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- B -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- C -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- D -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- E -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- F -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- G -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- H -										
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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 17	Apr 16	Apr 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9167.50	9076.57	9162.27	9167.50 (17/4)	7580.42 (9/1)	9167.50 (17/4/98)	41.22 (8/7/32)
Home Bonds	105.40	105.36	105.25	105.48 (15/1)	104.92 (28/1)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3686.28	3696.02	3661.90	3696.82 (16/4)	3194.36 (9/1)	3696.82 (16/4/98)	13.23 (8/7/32)
Utilities	289.58	286.22	287.89	291.18 (2/4)	262.86 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's High (a) (9204.12) Low (a) (9078.98) (Theoretical) Day's high 9167.50 (9164.76) Low 9052.01 (9041.95) (Actual)

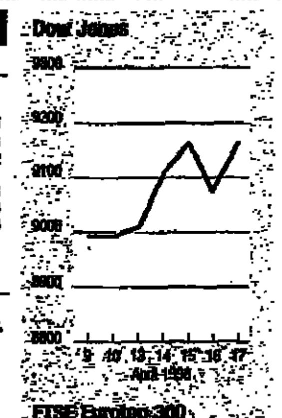
Standard and Poors	Apr 17	Apr 16	Apr 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1122.72	1108.17	1119.32	1122.72 (17/4)	927.69 (9/1)	1122.72 (17/4/98)	4.40 (1/6/32)
Industrials¶	1298.04	1281.47	1292.82	1308.33 (3/4)	1077.40 (9/1)	1308.33 (3/4/98)	3.52 (30/6/32)
Financial¶	139.97	137.89	140.22	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	584.11	578.91	582.77	584.11 (17/4)	487.47 (9/1)	584.11 (17/4/98)	4.64 (25/4/42)
Amex Comp	744.37	739.35	742.46	747.19 (3/4)	646.41 (12/1)	747.19 (3/4/98)	524.20 (18/7/96)
NASDAQ Comp	1866.80	1858.24	1863.26	1866.80 (17/4)	1503.22 (9/1)	1866.80 (17/4/98)	54.87 (3/10/74)
Russell 2000	487.01	484.41	487.12	487.12 (15/4)	410.89 (12/1)	487.12 (15/4/98)	123.36 (7/12/93)

RATIOS

	Apr 3	Mar 27	Mar 20	Year ago
Dow Jones Ind. Div. Yield	1.56	1.58	1.57	1.97

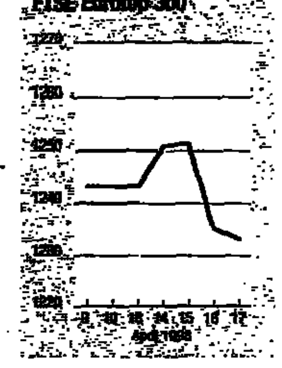
	Apr 15	Apr 8	Apr 1	Year ago
S & P Ind. Div. yield	1.31	1.33	1.31	1.82
S & P Ind. P/E ratio	30.69	30.27	30.64	21.85

US DATA



JAPAN

GERMANY



FRANCE

UK

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1115.00	1130.60	+15.10	1131.50	1105.10	108,868	346,503
Sep	1128.50	1142.60	+15.20	1143.30	1124.50	553	10,407

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15790.0	15750.0	-100.0	15870.0	15470.0	26,686	192,128
Sep	15680.0	15680.0	-	15680.0	15680.0	1	12,791

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	3857.0	3866.0	+24.0	3867.0	3855.0	261	35,371
May	-	3851.5	+22.5	-	-	639	1,848

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	5288.0	5355.0	+55.0	5355.5	5258.0	25,096	117,281
Sep	5339.0	5403.0	+55.0	5387.5	5307.0	17	17,038

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	3048.00	3026.50	-18.50	3048.00	3011.00	10,503	30,519
Jun	3020.00	3030.00	-40.00	3030.00	3020.00	60	140

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	7494.9	7460.8	-29.4	7518.0	7422.0	5,660	14,004
May	7445.0	7425.0	-30.1	7485.0	7398.0	8,704	16,632

WORLD MARKETS AT A GLANCE

THE NASDAQ STOCK MARKET

4 pm close April 17

THE NASDAQ STOCK MARKET

AMEX PRICES

4 pm close April 17

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 20

Burning issue

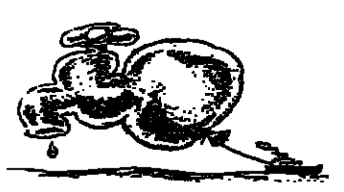
United Nations experts meet for two days in Geneva to discuss the technical details of co-ordinating fire-fighting operations for Indonesia where, unless they can be doused, devastating forest fires are likely to burn until October, when seasonal monsoon rains are expected to put them out.

Banana battles

European Union farm ministers meeting in Luxembourg will continue efforts to agree on how the EU should modify its banana import regime to comply with World Trade Organisation rules. The *WTO last year backed a complaint from* the US and several Latin American countries that the EU unfairly discriminated against them and in favour of Caribbean banana-growers. Ministers will also discuss aspects of Common Agricultural Policy reform, including the olive oil and tobacco sectors.

Water delivery

The first of three large water balloons designed to bring relief to drought-plagued northern Cyprus are due



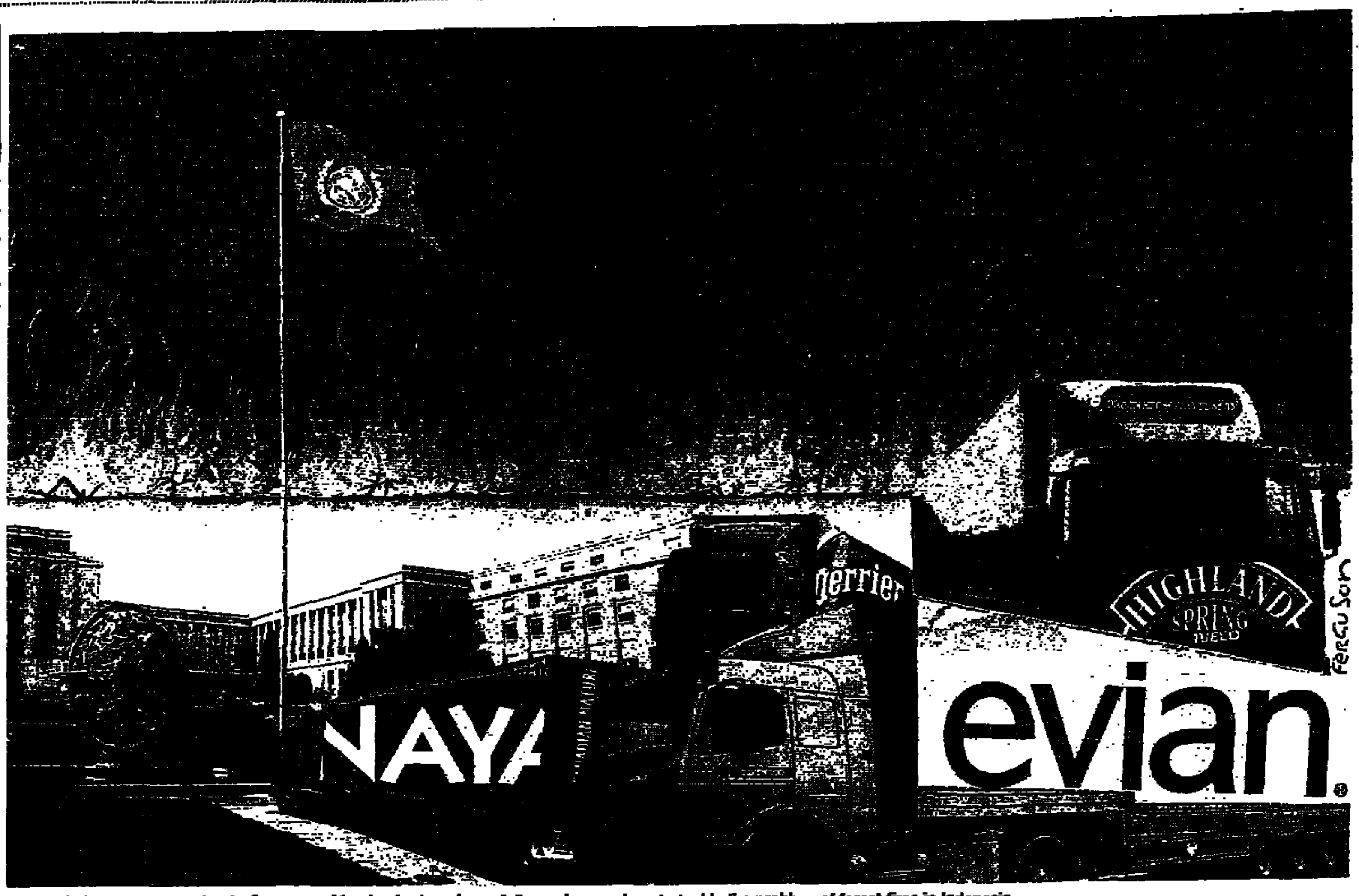
to arrive in Turkey where they will be filled with fresh water before being towed by tug to the Turkish enclave.

FT Survey

Business Education.

Holidays

Cyprus, Egypt, Belarus, Bulgaria, Greece, Moldova, Romania, Switzerland, Ukraine.



United Nations experts gather in Geneva on Monday for two days of discussions on how to tackle the problem of forest fires in Indonesia

TUESDAY 21

Introducing the euro

Finance ministers from the 15 European Union member states will discuss three recommendations from the European Commission on the practical aspects of introducing the euro at a meeting in Luxembourg. They will also have further discussions on German-inspired plans to *accelerate debt reduction and tighten* budgetary discipline among the likely Emu-bloc countries. The Commission will present plans to speed up the creation of pan-European risk capital markets, and ministers will discuss possible balance of payments assistance to Bosnia Herzegovina and Albania.

Talking development

Business leaders gather with government officials at the United Nations in New York for two days of talks about how the private sector can best promote economic and social development while protecting the environment, particularly in developing countries. The dialogue, which will also involve trade unions and environmental groups, will be part of the two-week annual session of the UN Commission for Sustainable Development, established to track progress after the Rio Earth Summit. Among issues listed for discussion are environmental management systems standards such as ISO 14000, the promotion of eco-efficiency, the transfer and impact of new technologies, intellectual property rights and fresh water management.

Chinese leader's visit

Chinese vice president Hu Jintao arrives in Japan for a six-day visit during which time he will meet Keizo Obuchi, Japan's foreign minister, prime minister Ryutaro Hashimoto and other political leaders. He is also scheduled to meet Emperor Akihito. This year marks the 20th *anniversary of the Sino-Japanese Peace* and Friendship Treaty and Mr Hu's visit is aimed at boosting diplomatic ties between the two countries. It also paves the way for the visit in the autumn of Chinese president Jiang Zemin.
Mr Hu travels on to South Korea on Sunday.

Rwanda questions

A parliamentary committee investigating the role of the French military during the Rwanda genocide of 1994 hears testimony from Edouard Balladur, former prime minister, and his defence and foreign ministers at the time, François Léotard and Alain Juppé.

French euro debate

The French National Assembly embarks on a two day debate on the European currency and economic and monetary union. Attention will focus on the position *of the communists and whether they will* continue to reject the common currency, despite being members of the government coalition.

FT Survey

Queen's Awards.

Holidays

Brazil, Romania.

WEDNESDAY 22

German jobs plan

The German cabinet is set to approve an action plan on unemployment. After its approval the plan will be sent to the European Commission in Brussels as part of a Europe-wide programme to tackle joblessness started at the Luxembourg summit last year. Germany, which has one of the highest unemployment rates in Europe, is one of three countries in the EU which missed last week's deadline for the submission of an action plan. The German plan is not expected to signal a great departure from previously stated policy.

THURSDAY 23

Off the Mark

Germany's Bundestag, or lower house of parliament, *is expected to give the* go-ahead for the country's participation in the planned euro currency. The decision is symbolic because it involves Germany giving up the D-Mark, on which much of the country's post-war economic success has depended. The Bundestag debate follows reports from *the Bundesbank and government on the* stability of the new currency. On Friday, the Bundesrat, or second chamber, is also expected to approve Germany's participation.

Kosovo vote

Yugoslavia holds a national referendum to seek popular backing for the Belgrade authorities' rejection of outside mediation in the crisis in the troubled province of Kosovo. The vote comes a day ahead of the deadline set by the peacekeeping forces for Belgrade to make progress towards a settlement with ethnic Albanians in Kosovo or face sanctions.

Air space concession

Permission for international flights to enter North Korean-controlled air space is restored.

Defence conference

Forum Europe holds a conference in Brussels on European defence procurement at which the agenda includes cross-border rationalisation, Eastern enlargement, a 1998 EU action *plan and a timetable of initiatives for the* defence industry and the common defence procurement strategies for Europe. Contact Roberta Bonometti (322) 738 7594.

FT Surveys

Korea, Reporting Britain.

Holidays

Iceland, Turkey.

FRIDAY 24

Holocaust claims

The big three Swiss banks, the World Jewish Congress and lawyers for class-action plaintiffs who are suing banks are scheduled to start the first round of talks at a venue still to be agreed on the settlement of outstanding claims dating from the Holocaust era.

Albright meets Plesu

Romania's foreign minister Andrei Plesu visits Washington where he will meet US secretary of state Madeleine Albright for talks aimed at improving ties between their two countries.

FT Surveys

Investing in India. Asian Financial Markets.

Holidays

Armenia.

SATURDAY 25

Military retreat

Nigeria holds National Assembly elections under the timetable for a return to civilian rule announced by General Sani Abacha, the country's military ruler.

Darmstadt speech

German opposition Social Democratic Party (SPD) chairman Oskar Lafontaine gives a speech at the Hesse region party conference in Darmstadt to decide on candidates for the September general election.

FT Survey

Quarterly Review of Personal Finance (UK editions only).

Holidays

Australia, Italy, Egypt.

SUNDAY 26

Election test

The eastern German state of Saxony-Anhalt goes to the polls today in what is seen as a crucial test of the popularity of the opposition Social Democratic Party ahead of a general election in September. Polls are showing the SPD and Gerhard Schröder, its new candidate for federal chancellor, with a strong lead, but also proving popular in the east is the formerly communist Party of Democratic Socialism. The nationally ruling Christian Democratic Union, victorious last time, is polling a poor third, and is likely to suffer another blow to its morale ahead of the general election.

Dam accord

Georgian president Eduard Shevardnadze is expected to visit Artvin, Turkey for a ground-breaking ceremony to open the Deriner dam and hydroelectric power plant on the two countries' border. Turkish president Suleyman Demirel and prime minister Mesut Yilmaz are also due to be present.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: Japan's trade balance for March should remain well above the levels of surplus seen in 1997. February's trade surplus increased by 89 per cent. A similar rise in March will see increased pressure on Japan to boost domestic demand.
Tuesday: The influential Ifo business climate index in Germany is *still below the* peak in sentiment last September. But March's index is still forecast to be consistent with good growth.
Wednesday: The UK's March unemployment and underlying average earnings figures will be closely watched by the Bank of England. A new monthly measure for unemployment is introduced, with a fall from the previous 6.6 per cent level expected.
Preliminary Italian inflation figures for April are likely to show a stable annual rate of 1.7 per cent, *heralding a rate* cut by the Bank of Italy.
Friday: Final figures for French consumer prices should confirm an annual increase of 0.8 per cent. France's trade balance is also expected to remain healthy at around FFr15bn, showing no impact from the Asian financial crisis.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Mar public sector borrowing req'ment	£8.0bn	-£1.9bn
Apr 20	Canada	Feb manufacturing new orders	0.9%	-0.8%
	Canada	Feb manufacturing shipments*	2.8%	-3.8%
	Canada	Feb manufacturing I-S ratio	1.31	1.33
Tues	Japan	Feb leading differential index		22.2%
Apr 21	Germany	Feb trade balance	DM11.0bn	DM6.3bn
	Germany	*Feb current account*	*DM0.4bn*	*-DM13.1bn*
	Germany	Mar Ifo West business climate index	98.7	98.7
	Germany	Mar Ifo West balance format		2.7
	UK	Mar retail price index*	0.3%	0.5%
	UK	Mar retail price index**	3.5%	3.4%
	UK	Mar retail price index (ex mortgs)**	2.6%	2.6%
	Canada	Feb wholesale trade†*	1.0%	-0.1%
	Canada	Mar leading indicator†*	0.4%	0.5%
	US	BTM-Schroders April 18		0.5%
	Japan	Feb coincident index		20.0%
Weds	France	Feb industrial production†*	0.5%	-0.9%
Apr 22	France	Feb industrial production ex-energy*	0.6%	-1.1%
	UK	Mr unemployment	-10k	-14k
	UK	Jan average earnings revised	4.5%	4.50%
	UK	Feb unit wages three months**	4.8%	4.6%
	UK	Mar M4*	0.7%	0.8%
	UK	Mar M4**	8.3%	9.7%
	UK	Mar M4 lending	£4.0bn	£10.2bn
	Canada	Feb retail sales†*	1.2%	-1.9%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Italy	Apr 11 cities consumer price index*	0.1%	0.0%
	US	Mar treasury budget	-$15.0bn	-$41.8bn
Thurs	UK	Mar retail sales*	0.5%	-1.2%
Apr 23	UK	Mar retail sales**	4.4%	4.5%
	US	Initial claims April 18		289k
	US	State benefits April 11		2121k
	Canada	*Feb international securities trans'ns*	*C$2.1bn*	*C$1.0bn*
Fri	Germany	Mar producer price index*	0.0%	0.0%
Apr 24	Germany	Mar producer price index**	0.7%	0.7%
	France	Mar consumer price index final*	0.2%	0.2%
	France	Mar consumer price index final**	0.8%	0.8%
	UK	Q1 prel gross domestic product***	0.5%	0.6%
	UK	Q1 prel gross domestic product**	2.9%	2.9%
During the week...				
	Germany	*Mar M3 from Q4 97 base*	3.2%	2.8%
	Germany	*Mar M3 from Q4 96 base*	4.3%	4.3%
	Germany	*Mar private lending 6m annually*	6.7%	6.5%
	Japan	Mar supermarket sales**		-5.0%
	Japan	Mar department store sales**		-6.6%
	Germany	Mar import prices*	-0.4%	-0.3%
	Germany	Mar import prices**	-0.3%	0.1%
	Japan	Apr trade bal (first 10 days, nsa†)		Y94bn
	Germany	Apr prel cost of living* west	0.4%	-0.2%
	Germany	Apr prel cost of living** west	1.6%	1.0%

*month on month, **year on year, ***quarter on quarter, †seasonally adjusted *Statistics, Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 19.04.98 / Final Prices for Trading on 22.03.98

½ hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.10	10.86	10.86	0.00
0100	15.10	35.03	35.40	1.46
0130	15.10	35.03	35.40	1.46
0200	16.72	35.03	35.40	1.46
0230	16.72	35.03	35.40	1.46
0300	16.72	35.03	35.40	1.46
0330	15.15	35.03	35.40	1.46
0400	15.10	19.53	19.90	1.46
0430	15.10	14.33	14.70	1.46
0500	15.10	14.33	14.70	1.46
0530	15.04	16.50	16.50	0.00
0600	15.20	11.00	11.00	0.00
0630	14.00	11.00	11.00	0.00
0700	14.00	11.00	11.00	0.00
0730	14.00	11.00	11.00	0.00
0800	15.30	11.00	11.00	0.00
0830	15.20	11.00	11.00	0.00
0900	15.10	11.00	11.00	0.00
0930	15.08	13.12	13.12	0.00
1000	15.02	16.50	16.50	0.00
1030	15.10	18.31	18.68	1.46
1100	15.15	33.81	34.18	1.46
1130	15.20	33.81	34.18	1.46
1200	33.00	33.81	34.18	1.46
1230	33.00	33.81	34.18	1.46
1300	33.00	33.81	34.18	1.46
1330	33.00	33.81	34.18	1.46
1400	20.10	33.81	34.18	1.46
1430	20.10	18.31	18.68	1.46
1500	20.10	14.85	15.22	1.46
1530	15.20	14.85	15.22	1.46
1600	15.20	14.85	15.22	1.46
1630	15.20	14.85	15.22	1.46
1700	15.20	14.85	15.22	1.46
1730	20.10	15.77	16.14	1.46
1800	20.10	18.31	18.68	1.46
1830	20.10	16.51	16.51	0.00
1900	15.30	28.99	29.36	1.46
1930	15.30	28.99	29.36	1.46
2000	15.10	28.99	29.36	1.46
2030	34.09	28.99	29.36	1.46
2100	34.09	28.99	29.36	1.46
2130	34.09	18.67	19.04	1.46
2200	34.09	13.35	13.35	0.00
2230	20.10	18.31	18.68	1.46
2300	20.10	16.79	17.16	1.46
2330	16.75	16.50	16.50	0.00
2400	15.50	13.30	13.30	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 20.04.98 / Final Prices for Trading on 23.03.98

½ hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.40	13.30	13.30	0.00
0100	15.15	16.50	16.50	0.00
0130	15.50	16.79	16.23	1.71
0200	15.44	16.79	16.23	1.71
0230	15.44	16.79	16.23	1.71
0300	15.44	16.79	16.23	1.71
0330	15.44	13.35	13.35	0.00
0400	15.44	13.12	13.12	0.00
0430	15.44	13.12	13.12	0.00
0500	15.44	11.80	11.80	0.00
0530	15.66	16.00	16.00	0.00
0600	15.54	16.00	16.00	0.00
0630	15.69	16.01	16.01	0.00
0700	15.64	16.07	16.07	0.00
0730	18.82	16.09	16.09	0.00
0800	22.33	18.05	17.49	1.71
0830	100.07	32.74	32.18	1.71
0900	100.68	32.74	32.18	1.71
0930	44.26	32.75	32.19	1.71
1000	44.48	32.75	32.19	1.71
1030	25.00	32.32	31.77	1.71
1100	25.68	32.32	31.76	1.71
1130	27.76	24.04	23.48	1.71
1200	28.34	24.04	23.49	1.71
1230	27.43	24.04	23.48	1.71
1300	28.39	24.04	23.48	1.71
1330	25.17	24.02	23.46	1.71
1400	30.26	24.02	23.46	1.71
1430	30.10	32.31	31.75	1.71
1500	30.03	32.31	31.75	1.71
1530	29.68	24.02	23.46	1.71
1600	29.75	24.02	23.46	1.71
1630	29.69	24.02	23.46	1.71
1700	29.90	28.32	27.76	1.71
1730	21.76	24.04	23.48	1.71
1800	33.46	28.32	27.77	1.71
1830	33.34	24.52	23.97	1.71
1900	33.32	55.27	54.77	1.71
1930	15.72	55.31	54.81	1.71
2000	15.70	55.27	54.77	1.71
2030	15.73	55.18	54.62	1.71
2100	33.41	24.48	23.92	1.71
2130	34.16	24.47	23.91	1.71
2200	34.14	23.76	23.20	1.71
2230	34.13	16.09	16.09	0.00
2300	15.74	16.07	16.07	0.00
2330	15.69	16.09	16.09	0.00
2400	15.69	16.09	16.09	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible]

MONDAY PRIZE CROSSWORD

No.9,660 Set by DANTE

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by Thursday April 30, marked Monday Crossword 9,660 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 4. Please allow 28 days for delivery of prizes.

Name..........

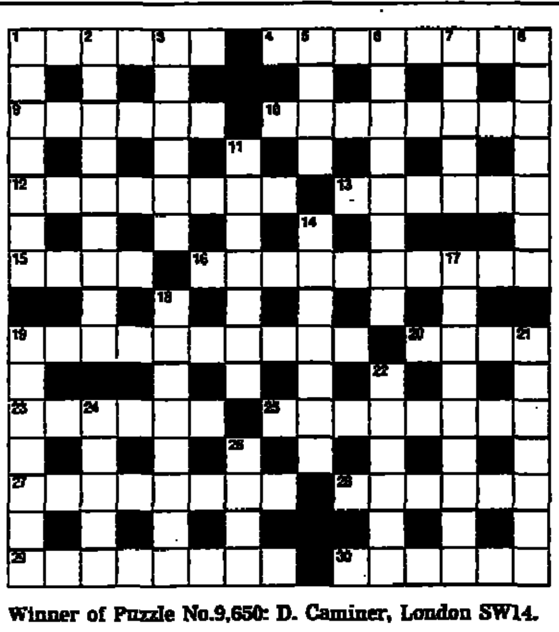
Address..........

ACROSS

1 Chemistry student's test paper (6)
4 Unusual for vipers to be so frolicsome! (8)
9 A site for a roadway (6)
10 Agreed that fellow politician hadn't told the truth (8)
12 Restrict dangerous driver – he's often flat out on the road (8)
13 He reviles a blockhead employer (6)
15 *Close in and attack (4)*
16 Studies hijacking plot (10)
19 One lacking a blooming partner? (10)
21 Flat race not completed (4)
23 Arms displayed in a hostile way? (6)
25 The last thing a crowd will do (8)
27 What old scholars often dipped into (8)
28 Man takes lead in play (6)
29 Follower of the team getting the boot (8)
30 Absolutely denied involvement (6)

DOWN

1 Hide or give one a hiding (7)
2 Circulatory system forcing one to walk to work (9)
3 The game is up – it's admitted by employer charging excessive interest (6)
5 Flier without a single chart (4)
6 State of concern to the community at large (8)
7 Is about to compete with evergreen plants (5)
8 Getting on in life (7)
11 Scotsman going it alone: was he wise? (7)
14 His view of life is austere, one might say sour (7)
17 Bill is hostile about raising it (9)
18 A cricketer's sick leave? (3-5)
19 We sign for flags (7)
21 Poverty led to being irritated (7)
22 Odds on wet weather causing injury (6)
24 Dirk upset about a point becomes annoyed (5)
26 Smart boy that is raised in France (4)



Winner of Puzzle No.9,650: D. Caminer, London SW14.

Solution 9,650

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LEGEND HOGSHEAD
D O U   N T X U
CHORDS ACCEPTED
A D I C E W O G
TALISMAN BAILIE
E O T S T R   O
DROP THEREDLION
  K E I O S M  
DISINHERIT OPEN
O   T R L T E A
VESTRY EUROCRAT
E O A L S B F U
COLANDER CAREER
O A C F   G C A
TORRENTS HOSTEL
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JOTTER PAD

هكذا من الأصل